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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 2, 2009

Pages 1 to 325

APPEARANCES

1
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3
4 Marla Murphy) Centra Gas
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14 Sandy Boyd) Communications, Energy &
15) Paperworkers Union
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13	HOWARD STEPHENS	
14	NEIL KOSTICK	
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5	PUB-1-2	Reminder Notice of Hearing dated	
6		May 7, 2009	
7	PUB-2	Rules of Practice and Procedure -	
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10	PUB-4	Transcript of Pre-Hearing conference	
11		held February 9, 2009	
12	PUB-5	Order No. 12/09 dated February 17,	
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19		Information Requests of Volume	
20		2 and Centra Gas Manitoba Inc.'s	
21		Response. Total Nexen premiums and	
22		tolls.	
23			
24			
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1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	PUB/CENTRA-7-95	The Public Utilities Board's	
4		Information Requests of Volume	
5		2 and Centra Gas Manitoba Inc.'s	
6		Response. TPLC load balancing	
7		charges (LBA)	
8	PUB/CENTRA-7-96	The Public Utilities Board's	
9		Information Requests of Volume	
10		2 and Centra Gas Manitoba Inc.'s	
11		Response. Primary and Supplemental	
12		gas billing percentages.	
13	PUB/CENTRA-7-97	The Public Utilities Board's	
14		Information Requests of Volume	
15		2 and Centra Gas Manitoba Inc.'s	
16		Response. Hedging settled results,	
17		net additions and reductions in	
18		gas costs	
19	PUB/CENTRA-7-98	The Public Utilities Board's	
20		Information Requests of Volume	
21		2 and Centra Gas Manitoba Inc.'s	
22		Response. Capacity management	
23		results, capacity release	
24			
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1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	PUB/CENTRA-7-99	The Public Utilities Board's	
4		Information Requests of Volume	
5		2 and Centra Gas Manitoba Inc.'s	
6		Response. Next Cost of Gas application.	
7	PUB/CENTRA-7-100	The Public Utilities Board's	
8		Information Requests of Volume	
9		2 and Centra Gas Manitoba Inc.'s	
10		Response. Forecast billing percentage.	
11	PUB/CENTRA-7-101	The Public Utilities Board's	
12		Information Requests of Volume	
13		2 and Centra Gas Manitoba Inc.'s	
14		Response. Initial Fixed Rate	
15		Offering results.	
16	PUB/CENTRA-7-102	The Public Utilities Board's	
17		Information Requests of Volume	
18		2 and Centra Gas Manitoba Inc.'s	
19		Response. Hedging policy, hedging	
20		principles and procedures.	
21			
22			
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1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	PUB/CENTRA-7-103	The Public Utilities Board's
4		Information Requests of Volume
5		2 and Centra Gas Manitoba Inc.'s
6		Response. Change to Functionalization,
7		Classification, and Allocation,
8		external review of the cost allocation
9		methodology, allocated costs for Nexenm
10		flexibility.
11	PUB/CENTRA-7-104	The Public Utilities Board's
12		Information Requests of Volume
13		2 and Centra Gas Manitoba Inc.'s
14		Response. Effect of using Rate Base
15		Rate of Return method of regulation,
16		minus the corporate allocation.
17	PUB/CENTRA-7-105	The Public Utilities Board's
18		Information Requests of Volume
19		2 and Centra Gas Manitoba Inc.'s
20		Response. Comparison of functionally
21		allocated costs to previous GRA.
22		
23		
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1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	PUB/CENTRA-7-106	The Public Utilities Board's	
4		Information Requests of Volume	
5		2 and Centra Gas Manitoba Inc.'s	
6		Response. Peak and average allocator,	
7		reconciling cost of gas to cost	
8		allocation results.	
9	PUB/CENTRA-7-107	The Public Utilities Board's	
10		Information Requests of Volume	
11		2 and Centra Gas Manitoba Inc.'s	
12		Response. Cost allocation from	
13		fixed rate offering, duplication of	
14		costs.	
15	PUB/CENTRA-7-108	The Public Utilities Board's	
16		Information Requests of Volume	
17		2 and Centra Gas Manitoba Inc.'s	
18		Response. Changes to cost	
19		allocation model for fixed rate	
20		offering.	
21	PUB/CENTRA-7-109	The Public Utilities Board's	
22		Information Requests of Volume	
23		2 and Centra Gas Manitoba Inc.'s	
24		Response. Unity revenue to cost	
25		ratios.	

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	PUB/CENTRA-7-110	The Public Utilities Board's
4		Information Requests of Volume
5		2 and Centra Gas Manitoba Inc.'s
6		Response. Cost allocation results
7		for additional years.
8	PUB/CENTRA-7-111	The Public Utilities Board's
9		Information Requests of Volume
10		2 and Centra Gas Manitoba Inc.'s
11		Response. BMC if customer-related
12		or customer- and capacity-related
13		costs are included.
14	PUB/CENTRA-7-112	The Public Utilities Board's
15		Information Requests of Volume
16		2 and Centra Gas Manitoba Inc.'s
17		Response. Primary Gas overhead
18		cost calculation.
19	PUB/CENTRA-7-113	The Public Utilities Board's
20		Information Requests of Volume
21		2 and Centra Gas Manitoba Inc.'s
22		Response. DSM spending by customer
23		type and cost allocation by customer
24		class
25		

1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	PUB/CENTRA-7-114	The Public Utilities Board's	
4		Information Requests of Volume	
5		2 and Centra Gas Manitoba Inc.'s	
6		Response. Special Contract and Power	
7		Station class load factors.	
8	PUB/CENTRA-7-115	The Public Utilities Board's	
9		Information Requests of Volume	
10		2 and Centra Gas Manitoba Inc.'s	
11		Response. Application of rate riders,	
12		UFG for Special Contract customer	
13	PUB/CENTRA-7-116	The Public Utilities Board's	
14		Information Requests of Volume	
15		2 and Centra Gas Manitoba Inc.'s	
16		Response. Rte delay rider,	
17		retroactive rates	
18	PUB/CENTRA-7-117	The Public Utilities Board's	
19		Information Requests of Volume	
20		2 and Centra Gas Manitoba Inc.'s	
21		Response. Disconnections, arrears.	
22	PUB/CENTRA-7-118	The Public Utilities Board's	
23		Information Requests of Volume	
24		2 and Centra Gas Manitoba Inc.'s	
25		Response. Bad debt, arrears.	

1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	PUB/CENTRA-7-119	The Public Utilities Board's	
4		Information Requests of Volume	
5		2 and Centra Gas Manitoba Inc.'s	
6		Response. Failure of interruptible	
7		customers to curtail their load	
8	PUB/CENTRA-7-120	The Public Utilities Board's	
9		Information Requests of Volume	
10		2 and Centra Gas Manitoba Inc.'s	
11		Response. Company labour rates	
12	PUB/CENTRA-7-121	The Public Utilities Board's	
13		Information Requests of Volume	
14		2 and Centra Gas Manitoba Inc.'s	
15		Response. Main extensions, 4PT,	
16		feasibility tests.	
17	PUB/CENTRA-7-122	The Public Utilities Board's	
18		Information Requests of Volume	
19		2 and Centra Gas Manitoba Inc.'s	
20		Response. Feasibility tests and	
21		true-ups.	
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LIST OF EXHIBIT (cont'd)		
Exhibit No.	Description	Page No.
1		
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3	PUB/CENTRA-7-123 The Public Utilities Board's	
4	Information Requests of Volume	
5	2 and Centra Gas Manitoba Inc.'s	
6	Response. Marketer failure - SCEC	
7	(SemGroup), backstopping, Risk	
8	Analysis	
9	PUB/CENTRA-7-124 The Public Utilities Board's	
10	Information Requests of Volume	
11	2 and Centra Gas Manitoba Inc.'s	
12	Response. Nexen failue	
13	PUB/CENTRA-7-125 The Public Utilities Board's	
14	Information Requests of Volume	
15	2 and Centra Gas Manitoba Inc.'s	
16	Response. Demographic study, consensus	
17	from Low Income technical meeting	
18	PUB/CENTRA-7-126 The Public Utilities Board's	
19	Information Requests of Volume	
20	2 and Centra Gas Manitoba Inc.'s	
21	Response. Low income technical	
22	advisory group.	
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1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	PUB/CENTRA-7-127	The Public Utilities Board's	
4		Information Requests of Volume	
5		2 and Centra Gas Manitoba Inc.'s	
6		Response. Accredited contractors,	
7		brochure distribution	
8	PUB/CENTRA-7-128	The Public Utilities Board's	
9		Information Requests of Volume	
10		2 and Centra Gas Manitoba Inc.'s	
11		Response. Low income energy	
12		efficiency program (LIEEP)	
13		description and costs.	
14	PUB/CENTRA-7-129	The Public Utilities Board's	
15		Information Requests of Volume	
16		2 and Centra Gas Manitoba Inc.'s	
17		Response. LIEEP process design	
18		flowchart.	
19	PUB/CENTRA-7-130	The Public Utilities Board's	
20		Information Requests of Volume	
21		2 and Centra Gas Manitoba Inc.'s	
22		Response. Comparison of 2006 to	
23		2008 Power Smart plans.	
24			
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1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	PUB/CENTRA-7-131	The Public Utilities Board's	
4		Information Requests of Volume	
5		2 and Centra Gas Manitoba Inc.'s	
6		Response. DSM program con	
7	PUB/CENTRA-7-132	The Public Utilities Board's	
8		Information Requests of Volume	
9		2 and Centra Gas Manitoba Inc.'s	
10		Response. Federal government	
11		initiatives.	
12	PUB/CENTRA-7-133	The Public Utilities Board's	
13		Information Requests of Volume	
14		2 and Centra Gas Manitoba Inc.'s	
15		Response. TRC and RIM	
16	PUB/CENTRA-7-134	The Public Utilities Board's	
17		Information Requests of Volume	
18		2 and Centra Gas Manitoba Inc.'s	
19		Response. Power Smart plan timeline	
20		increased from 10 to 15 years,	
21		comparing DSM savings and GHG	
22		reductions to 2006 Power Smart plan.	
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1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	PUB/CENTRA-7-135	The Public Utilities Board's
4		Information Requests of Volume
5		2 and Centra Gas Manitoba Inc.'s
6		Response. Lower income furnace
7		replacement program, expand Table 4
8		to include levelized costs, cumulative
9		savings, and payback period
10	PUB/CENTRA-7-136	The Public Utilities Board's
11		Information Requests of Volume
12		2 and Centra Gas Manitoba Inc.'s
13		Response. Insulation program take-up
14	PUB/CENTRA-7-137	The Public Utilities Board's
15		Information Requests of Volume
16		2 and Centra Gas Manitoba Inc.'s
17		Response. Updated graphs, add 2006
18		GHG and DSM targets
19	PUB/CENTRA-7-138	The Public Utilities Board's
20		Information Requests of Volume
21		2 and Centra Gas Manitoba Inc.'s
22		Response. Calculations for levelized
23		utility costs, including for furnace
24		replacement program.
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1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	PUB/CENTRA-7-139	The Public Utilities Board's	
4		Information Requests of Volume	
5		2 and Centra Gas Manitoba Inc.'s	
6		Response. Changes in TRC and RIM	
7		as a combined program.	
8	PUB/CENTRA-7-140	The Public Utilities Board's	
9		Information Requests of Volume	
10		2 and Centra Gas Manitoba Inc.'s	
11		Response. Affordable energy fund.	
12	PUB/CENTRA-7-141	The Public Utilities Board's	
13		Information Requests of Volume	
14		2 and Centra Gas Manitoba Inc.'s	
15		Response. Low income Furnance	
16		Replacement Program description,	
17		costs, funds	
18	PUB/CENTRA-7-142	The Public Utilities Board's	
19		Information Requests of Volume	
20		2 and Centra Gas Manitoba Inc.'s	
21		Response. DSM budgets by program	
22		and measure	
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1	LIST OF EXHIBIT (cont'd)	Page No.
2	Exhibit No. Description	Page No.
3	PUB/CENTRA-8-143 The Public Utilities Board's	
4	2nd Round Information Requests	
5	and Centra Gas Manitoba Inc.'s	
6	Response. Corporate structure -	
7	names of individuals, impact of	
8	new positions on O&A	
9	PUB/CENTRA-8-144 The Public Utilities Board's	
10	2nd Round Information Requests	
11	and Centra Gas Manitoba Inc.'s	
12	Response. Allocation of VP	
13	Customer Service and Marketing	
14	to Centra	
15	PUB/CENTRA-8-145 The Public Utilities Board's	
16	2nd Round Information Requests	
17	and Centra Gas Manitoba Inc.'s	
18	Response. Investment decision	
19	support process	
20	PUB/CENTRA-8-146 The Public Utilities Board's	
21	2nd Round Information Requests	
22	and Centra Gas Manitoba Inc.'s	
23	Response. Corporate Strategic	
24	Plan goals.	
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1	LIST OF EXHIBIT (cont'd)		Page 40
2	Exhibit No.	Description	Page No.
3	PUB/CENTRA-8-147	The Public Utilities Board's 2nd Round Information Requests and Centra Gas Manitoba Inc.'s Response. Revenue requirement if Furnace Replacement Program is continued	
9	PUB/CENTRA-8-148	The Public Utilities Board's 2nd Round Information Requests and Centra Gas Manitoba Inc.'s Response. Debt:equity target - PUB method vs consolidated method; IFF scenarios, target retained earnings	
15	PUB/CENTRA-8-149	The Public Utilities Board's 2nd Round Information Requests and Centra Gas Manitoba Inc.'s Response. Finance expense for IFF08-1	
20	PUB/CENTRA-8-150	The Public Utilities Board's 2nd Round Information Requests and Centra Gas Manitoba Inc.'s Response. IFRS and rate regulated accounting.	
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1	LIST OF EXHIBIT (cont'd)	Page No.
2	Exhibit No. Description	Page No.
3	PUB/CENTRA-8-151 The Public Utilities Board's	
4	2nd Round Information Requests	
5	and Centra Gas Manitoba Inc.'s	
6	Response. Capital expenditures,	
7	IT expenditures.	
8	PUB/CENTRA-8-152 The Public Utilities Board's	
9	2nd Round Information Requests	
10	and Centra Gas Manitoba Inc.'s	
11	Response. Furnace Replacement	
12	Program treated as reduction in	
13	revenue and not a revenue requirement	
14	item	
15	PUB/CENTRA-8-153 The Public Utilities Board's	
16	2nd Round Information Requests	
17	and Centra Gas Manitoba Inc.'s	
18	Response. Weather normalization	
19	error vs gas use forecasting error	
20	PUB/CENTRA-8-154 The Public Utilities Board's	
21	2nd Round Information Requests	
22	and Centra Gas Manitoba Inc.'s	
23	Response. Terminating the oil	
24	conversion burner program.	
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1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	PUB/CENTRA-8-155	The Public Utilities Board's	
4		2nd Round Information Requests	
5		and Centra Gas Manitoba Inc.'s	
6		Response. O&A Benchmarking study	
7	PUB/CENTRA-8-156	The Public Utilities Board's	
8		2nd Round Information Requests	
9		and Centra Gas Manitoba Inc.'s	
10		Response. O&A cost variations	
11		year over year	
12	PUB/CENTRA-8-157	The Public Utilities Board's	
13		2nd Round Information Requests	
14		and Centra Gas Manitoba Inc.'s	
15		Response. O&A expenses:environmental	
16		monitoring and remediation, line	
17		locating by MHUS	
18	PUB/CENTRA-8-158	The Public Utilities Board's	
19		2nd Round Information Requests	
20		and Centra Gas Manitoba Inc.'s	
21		Response. Activity charges	
22		covering salaries, wages and	
23		benefits.	
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1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	PUB/CENTRA-8-159	The Public Utilities Board's
4		2nd Round Information Requests
5		and Centra Gas Manitoba Inc.'s
6		Response. Capitalized O&A for DSM,
7		customer service and marketing;
8		overhead capitalized as a percentage
9		of activity charges.
10	PUB/CENTRA-8-160	The Public Utilities Board's
11		2nd Round Information Requests
12		and Centra Gas Manitoba Inc.'s
13		Response. 10 percent productivity
14		gain related to new head office.
15	PUB/CENTRA-8-161	The Public Utilities Board's
16		2nd Round Information Requests
17		and Centra Gas Manitoba Inc.'s
18		Response. Interest rate assumptions.
19	PUB/CENTRA-8-162	The Public Utilities Board's
20		2nd Round Information Requests
21		and Centra Gas Manitoba Inc.'s
22		Response. Changes in activity
23		charges in excess of CPI
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1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	PUB/CENTRA-8-163	The Public Utilities Board's	
4		2nd Round Information Requests	
5		and Centra Gas Manitoba Inc.'s	
6		Response. Pension liabilities.	
7	PUB/CENTRA-8-164	The Public Utilities Board's	
8		2nd Round Information Requests	
9		and Centra Gas Manitoba Inc.'s	
10		Response. Clarification of activity	
11		charge schedule - actual instead	
12		of forecast	
13	PUB/CENTRA-8-165	The Public Utilities Board's	
14		2nd Round Information Requests	
15		and Centra Gas Manitoba Inc.'s	
16		Response. Spending on common assets-	
17		820 Taylor and Communications.	
18	PUB/CENTRA-8-166	The Public Utilities Board's	
19		2nd Round Information Requests	
20		and Centra Gas Manitoba Inc.'s	
21		Response. Clarification of capital	
22		project justifications - Brandon,	
23		South Loop, Saskatchewan and PTH 101	
24			
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1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	PUB/CENTRA-8-167	The Public Utilities Board's	
4		2nd Round Information Requests	
5		and Centra Gas Manitoba Inc.'s	
6		Response. Brandon expansion capital	
7		project justification, alternatives	
8	PUB/CENTRA-8-168	The Public Utilities Board's	
9		2nd Round Information Requests	
10		and Centra Gas Manitoba Inc.'s	
11		Response. Pipeline lowering and	
12		relocation projects	
13	PUB/CENTRA-8-169	The Public Utilities Board's	
14		2nd Round Information Requests	
15		and Centra Gas Manitoba Inc.'s	
16		Response. Butt fusion remediation	
17		clarifications, electro-fusion	
18		sleeve installations.	
19	PUB/CENTRA-8-170	The Public Utilities Board's	
20		2nd Round Information Requests	
21		and Centra Gas Manitoba Inc.'s	
22		Response. Increase in average cost	
23		of meter replacements	
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1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	PUB/CENTRA-8-171	The Public Utilities Board's	
4		2nd Round Information Requests	
5		and Centra Gas Manitoba Inc.'s	
6		Response. Preliminary results	
7		of AMI pilot project.	
8	PUB/CENTRA-8-172	The Public Utilities Board's	
9		2nd Round Information Requests	
10		and Centra Gas Manitoba Inc.'s	
11		Response. 4PT - charging developers	
12		for reduced setbacks, date of	
13		optimization	
14	PUB/CENTRA-8-173	The Public Utilities Board's	
15		2nd Round Information Requests	
16		and Centra Gas Manitoba Inc.'s	
17		Response. DSM costs in rate base;	
18		other jurisdictions including BC	
19		decision	
20	PUB/CENTRA-8-174	The Public Utilities Board's	
21		2nd Round Information Requests	
22		and Centra Gas Manitoba Inc.'s	
23		Response. Limit of return to Hydro	
24		based on Return on Rate Base, corporate	
25		allocation not a return to Hydro	

1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	PUB/CENTRA-8-175	The Public Utilities Board's	
4		2nd Round Information Requests	
5		and Centra Gas Manitoba Inc.'s	
6		Response. Space costs	
7	PUB/CENTRA-8-176	The Public Utilities Board's	
8		2nd Round Information Requests	
9		and Centra Gas Manitoba Inc.'s	
10		Response. Impact of Order 14/08	
11		bad debt and collection expense	
12	PUB/CENTRA-8-177	The Public Utilities Board's	
13		2nd Round Information Requests	
14		and Centra Gas Manitoba Inc.'s	
15		Response. Curtailment of	
16		Interruptible T-Service customers	
17	PUB/CENTRA-8-178	The Public Utilities Board's	
18		2nd Round Information Requests	
19		and Centra Gas Manitoba Inc.'s	
20		Response. Alternative service rates	
21		compared to PUB-approved rate	
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1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	PUB/CENTRA-8-179	The Public Utilities Board's	
4		2nd Round Information Requests	
5		and Centra Gas Manitoba Inc.'s	
6		Response. Options for dealing with	
7		increasing costs on the TCPL mainline	
8	PUB/CENTRA-8-180	The Public Utilities Board's	
9		2nd Round Information Requests	
10		and Centra Gas Manitoba Inc.'s	
11		Response. Frequency of changes to	
12		the billing percentage.	
13	PUB/CENTRA-8-181	The Public Utilities Board's	
14		2nd Round Information Requests	
15		and Centra Gas Manitoba Inc.'s	
16		Response. Summarize hedging results	
17		in one table.	
18	PUB/CENTRA-8-182	The Public Utilities Board's	
19		2nd Round Information Requests	
20		and Centra Gas Manitoba Inc.'s	
21		Response. Initial results of	
22		Fixed Rate offering.	
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1 LIST OF EXHIBIT (cont'd)
2 PUB/CENTRA-8-183 The Public Utilities Board's
3 2nd Round Information Requests
4 and Centra Gas Manitoba Inc.'s
5 Response. Classification of Furnace
6 Replacement Program as Distribution
7 Energy costs
8 PUB/CENTRA-8-184 The Public Utilities Board's
9 2nd Round Information Requests
10 and Centra Gas Manitoba Inc.'s
11 Response. DSM spending as a
12 percentage of revenue.
13 PUB/CENTRA-8-185 The Public Utilities Board's
14 2nd Round Information Requests
15 and Centra Gas Manitoba Inc.'s
16 Response. Feasibility test for main
17 extensions, average gas consumption;
18 true-ups.
19 PUB/CENTRA-8-186 The Public Utilities Board's
20 2nd Round Information Requests
21 and Centra Gas Manitoba Inc.'s
22 Response. LICO; demographic information
23 based on 125 percent LICO; status of low
24 income program at 185 Smith and West
25 Broadway

1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	PUB/CENTRA-8-187	The Public Utilities Board's	
4		2nd Round Information Requests	
5		and Centra Gas Manitoba Inc.'s	
6		Response. EFT's dedicated to low	
7		income program	
8	PUB/CENTRA-8-188	The Public Utilities Board's	
9		2nd Round Information Requests	
10		and Centra Gas Manitoba Inc.'s	
11		Response. Small levy on customers'	
12		bills to assist low income households	
13	PUB/CENTRA-8-189	The Public Utilities Board's	
14		2nd Round Information Requests	
15		and Centra Gas Manitoba Inc.'s	
16		Response. Fuel switching policy; GHG	
17		savings for switching from electricity	
18		to gas; break-even price of gas vs	
19		electric heat	
20	PUB/CENTRA-8-190	The Public Utilities Board's	
21		2nd Round Information Requests	
22		and Centra Gas Manitoba Inc.'s	
23		Response. Building codes, Power Smart	
24		home standards	
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1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	PUB/CENTRA-8-191	The Public Utilities Board's	
4		2nd Round Information Requests	
5		and Centra Gas Manitoba Inc.'s	
6		Response. GHG emissions and	
7		expected savings; GHG emissions in	
8		Manitoba	
9	PUB/CENTRA-8-192	The Public Utilities Board's	
10		2nd Round Information Requests	
11		and Centra Gas Manitoba Inc.'s	
12		Response. Power Smart Plan: reduction	
13		in funding and savings from programs,	
14		explain Option 1 Codes and Standards,	
15		differences to 2006 Plan	
16	PUB/CENTRA-8-193	The Public Utilities Board's	
17		2nd Round Information Requests	
18		and Centra Gas Manitoba Inc.'s	
19		Response. Increased gas savings in	
20		2008 vs 2006 Power Smart Plan	
21	PUB/CENTRA-8-194	The Public Utilities Board's	
22		2nd Round Information Requests	
23		and Centra Gas Manitoba Inc.'s	
24		Response. Affordable Energy Fund (AEF):	
25		reconcile the original \$35 million.	

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8	PUB/CENTRA-8-196	The Public Utilities Board's 2nd Round Information Requests and Centra Gas Manitoba Inc.'s Response. Interactive effects with electric DSM, CFLs	
13	PUB/CENTRA-8-197	The Public Utilities Board's 2nd Round Information Requests and Centra Gas Manitoba Inc.'s Response. Residential furnace program, Waverley West program, increase in incentives for commercial window program	
20	PUB/CENTRA-8-198	The Public Utilities Board's 2nd Round Information Requests and Centra Gas Manitoba Inc.'s Response. Update the March 2008 interest rate forecast, table of interest rate forecasts.	

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3	PUB/CENTRA-8-199	The Public Utilities Board's
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5		and Centra Gas Manitoba Inc.'s
6		Response. Long term debt maturity
7		risk
8	PUB/CENTRA-8-200	The Public Utilities Board's
9		2nd Round Information Requests
10		and Centra Gas Manitoba Inc.'s
11		Response. Increase in activity rates
12		for Finance & Administration and
13		Transmission & Distribution
14	PUB/CENTRA-8-201	The Public Utilities Board's
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16		and Centra Gas Manitoba Inc.'s
17		Response. IFRS and other jurisdictions
18		including Europe
19	PUB/CENTRA-8-202	The Public Utilities Board's
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23		for President & CEO - Public Affairs,
24		Finance & Administration - Customer
25		Billing

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5		and Centra Gas Manitoba Inc.'s	
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7		statements which use regulatory	
8		accounting and depart from IFRS	
9	PUB/CENTRA-8-204	The Public Utilities Board's	
10		2nd Round Information Requests	
11		and Centra Gas Manitoba Inc.'s	
12		Response. Neighbours Helping	
13		Neighbours and other social services	
14		agencies	
15	PUB/CENTRA-8-205	The Public Utilities Board's	
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17		and Centra Gas Manitoba Inc.'s	
18		Response. Capacity Management	
19		report - number and amount of losses	
20		on individual transactions	
21	PUB/CENTRA-8-206	The Public Utilities Board's	
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23		and Centra Gas Manitoba Inc.'s	
24		Response. Residential end use	
25		appliance tables used for load forecast	

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5		and Centra Gas Manitoba Inc.'s
6		Response. LIEEP, Power Smart Shops
7		program, Power Smart project concepts
8	PUB/CENTRA-8-208	The Public Utilities Board's
9		2nd Round Information Requests
10		and Centra Gas Manitoba Inc.'s
11		Response. Clarification of PV Energy
12		in the levelized cost calculation;
13		updates to LIEEP
14	PUB/CENTRA-8-209	The Public Utilities Board's
15		2nd Round Information Requests
16		and Centra Gas Manitoba Inc.'s
17		Response. Demand billing determinants.
18	PUB/CAC/MSOS-9-1	The Public Utilities Board's
19		Information Requests of J.
20		Oppenheim and CAC/MSOS'
21		Response. Enhanced rebate-boiler
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8	PUB/CAC/MSOS-9-3 The Public Utilities Board's	
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12	spending.	
13	PUB/CAC/MSOS-9-4 The Public Utilities Board's	
14	Information Requests of J.	
15	Oppenheim and CAC/MSOS'	
16	Response. Entergy Corp. 2008 Report	
17	PUB/CAC/MSOS-9-5 The Public Utilities Board's	
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19	Oppenheim and CAC/MSOS'	
20	Response. Double counting savings.	
21	PUB/CAC/MSOS-9-6 The Public Utilities Board's	
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6		Response. LICO and Centra's
7		definition of low income.
8	PUB/CAC/MSOS-9-8	The Public Utilities Board's
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15		efficiency tests
16	PUB/CAC/MSOS-9-10	The Public Utilities Board's
17		Information Requests of M. Stauff
18		and CAC/MSOS' Response. Secondary
19		firm transport
20	PUB/CAC/MSOS-9-11	The Public Utilities Board's
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6	asset management	
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11	PUB/CAC/MSOS-9-14 The Public Utilities Board's	
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13	and CAC/MSOS' Response. Financial	
14	arrangements with asset managers.	
15	PUB/CAC/MSOS-9-15 The Public Utilities Board's	
16	Information Requests of M. Stauff	
17	and CAC/MSOS' Response. Oversight of	
18	asset management arrangements	
19	PUB/CAC/MSOS-9-16 The Public Utilities Board's	
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1	LIST OF EXHIBIT (cont'd)		
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7	PUB/CAC/MSOS-9-18	The Public Utilities Board's	
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12		Information Requests of J.D.	
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16		Information Requests of J.D.	
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11	PUB-10	Letter dated May 22, 2009 from	
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13	PUB-11	Book of Documents - Volume 1 and 2	
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16	CENTRA 2-1	Affidavit of publication and service	
17		of Notice dated march 30, 2009	
18	CENTRA 2-2	Affidavit of publication and service	
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20	CENTRA-3	May 29, 2009 Update to the GRA and	
21		Rebuttal Evidence	
22	CENTRA 4-1	Witness Qualifications of Vince Warden	
23	CENTRA 4-2	Witness Qualifications of Howard Stephens	
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11		and Manitoba Society of Seniors'
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19		manager.
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21		Centra Gas Manitoba Inc.'s Information
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23		Association of Canada (Manitoba) Inc.
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10	Centra Gas Manitoba Inc.'s Information	
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8 CENTRA/CAC/MSOS-5-8

9 Centra Gas Manitoba Inc.'s Information
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11 Association of Canada (Manitoba) Inc.
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15 Centra Gas Manitoba Inc.'s Information
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8 CENTRA/CAC/MSOS-5-15

9 Centra Gas Manitoba Inc.'s Information
10 Requests of J. McCormick and Consumers'
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12 and Manitoba Society of Seniors'
13 Response. Date retained

14 CENTRA/CAC/MSOS-5-16

15 Centra Gas Manitoba Inc.'s Information
16 Requests of J. McCormick and Consumers'
17 Association of Canada (Manitoba) Inc.
18 and Manitoba Society of Seniors'
19 Response. Independence of forecasters

20 CENTRA/CAC/MSOS-5-17

21 Centra Gas Manitoba Inc.'s Information
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9		floating rate debt.
10	CAC/MSOS/CENTRA-1-2	Consumers' Association of
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15		debt compared to banker's acceptance
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14		average term of debt, debt maturing
15		in 2030, refinancing risk, yield
16		curve for Manitoba financing.
17	CAC/MSOS/CENTRA-1-6	Consumers' Association of
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19		Society of Seniors' Information
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8		for floating rate debt, comparison of	
9		short and long term debt with fixed and	
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11	CAC/MSOS/CENTRA-1-8	Consumers' Association of	
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7 of financing obtained from Manitoba

8 Hydro, Manitoba Hydro obtaining

9 financing at banker's acceptance

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13 CAC/MSOS/CENTRA-1-10 Consumers' Association of

14 Canada (Manitoba) Inc. and Manitoba

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17 Manitoba Inc.'s Response. Approximate

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19 CAC/MSOS/CENTRA-1-11 Consumers' Association of

20 Canada (Manitoba) Inc. and Manitoba

21 Society of Seniors' Information

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23 Manitoba Inc.'s Response. Electronic

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7		Manitoba Inc.'s Response. Measures
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9		to other jurisdictions.
10	CAC/MSOS/CENTRA-1-13	Consumers' Association of
11		Canada (Manitoba) Inc. and Manitoba
12		Society of Seniors' Information
13		Requests of Volume 1 and Centra Gas
14		Manitoba Inc.'s Response. O&A
15		targets, O&A per customer, CPI
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19		Society of Seniors' Information
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21		Manitoba Inc.'s Response. Corporate
22		strategic plan targets and
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8		equity - recalculations; use
9		Matwichuk's suggestions
10	CAC/MSOS/CENTRA-1-16	Consumers' Association of
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12		Society of Seniors' Information
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15		by customer past and forecasted
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17		Canada (Manitoba) Inc. and Manitoba
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11		Society of Seniors' Information
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14		income - relate sales to late
15		payment fees.
16	CAC/MSOS/CENTRA-1-20	Consumers' Association of
17		Canada (Manitoba) Inc. and Manitoba
18		Society of Seniors' Information
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20		Manitoba Inc.'s Response. Revenue
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8		equity - adjust 08/09 ROE; February
9		consensus forecast
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14		Manitoba Inc.'s Response. Cost of
15		Equity - adjust 08/09 ROE
16	CAC/MSOS/CENTRA-1-23	Consumers' Association of
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18		Society of Seniors' Information
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10		Society of Seniors' Information
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13		charges, primary costs, per customer,
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15	CAC/MSOS/CENTRA-1-26	Consumers' Association of
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17		Society of Seniors' Information
18		Requests of Volume 1 and Centra Gas
19		Manitoba Inc.'s Response. Variance
20		between forecasted tax amounts in
21		previous GRA
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5 Requests of Volume 1 and Centra Gas
6 Manitoba Inc.'s Response. Comparison
7 of forecast and actual gross plant.

8 CAC/MSOS/CENTRA-1-28 Consumers' Association of
9 Canada (Manitoba) Inc. and Manitoba
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11 Requests of Volume 1 and Centra Gas
12 Manitoba Inc.'s Response. Board
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14 CAC/MSOS/CENTRA-1-29 Consumers' Association of
15 Canada (Manitoba) Inc. and Manitoba
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17 Requests of Volume 1 and Centra Gas
18 Manitoba Inc.'s Response. Impact
19 and readiness for IFRS

20 CAC/MSOS/CENTRA-1-30 Consumers' Association of
21 Canada (Manitoba) Inc. and Manitoba
22 Society of Seniors' Information
23 Requests of Volume 1 and Centra Gas
24 Manitoba Inc.'s Response. Calculation
25 for the 1 percent revenue increase

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-1-31	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' Information
6		Requests of Volume 1 and Centra Gas
7		Manitoba Inc.'s Response. O&A
8		variances to forecast, setting of
9		activity rates.
10	CAC/MSOS/CENTRA-1-32	Consumers' Association of
11		Canada (Manitoba) Inc. and Manitoba
12		Society of Seniors' Information
13		Requests of Volume 1 and Centra Gas
14		Manitoba Inc.'s Response. Breakdown
15		of O&A by labour and materials,
16		amounts capitalized, non-unionised
17		salary increases, union wage increases,
18		O&A by cost element, O&A percentage of
19		Hydro, CPI, submissions to executive
20		committee re: overhead and activity
21		rates.
22		
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1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	CAC/MSOS/CENTRA-1-33	Consumers' Association of	
4		Canada (Manitoba) Inc. and Manitoba	
5		Society of Seniors' Information	
6		Requests of Volume 1 and Centra Gas	
7		Manitoba Inc.'s Response. Details	
8		of 2 percent increase in O&A	
9	CAC/MSOS/CENTRA-1-34	Consumers' Association of	
10		Canada (Manitoba) Inc. and Manitoba	
11		Society of Seniors' Information	
12		Requests of Volume 1 and Centra Gas	
13		Manitoba Inc.'s Response. MH Annual	
14		report and quarterly financial	
15		statement	
16	CAC/MSOS/CENTRA-1-35	Consumers' Association of	
17		Canada (Manitoba) Inc. and Manitoba	
18		Society of Seniors' Information	
19		Requests of Volume 1 and Centra Gas	
20		Manitoba Inc.'s Response. Classifying	
21		and accounting for common assets,	
22		elimination of new head office costs	
23		from common assets	
24			
25			

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-1-36	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' Information
6		Requests of Volume 1 and Centra Gas
7		Manitoba Inc.'s Response. Organization
8		structure - head office division
9		manager, head office decisions, costs,
10		working capital
11	CAC/MSOS/CENTRA-1-37	Consumers' Association of
12		Canada (Manitoba) Inc. and Manitoba
13		Society of Seniors' Information
14		Requests of Volume 1 and Centra Gas
15		Manitoba Inc.'s Response. Assessed
16		value of new head office, synergy
17		savings from new head office.
18	CAC/MSOS/CENTRA-1-38	Consumers' Association of
19		Canada (Manitoba) Inc. and Manitoba
20		Society of Seniors' Information
21		Requests of Volume 1 and Centra Gas
22		Manitoba Inc.'s Response. Confirming
23		no incremental costs from new head
24		office accrue to ratepayers, Directive
25		24 99/07

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-1-39	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' Information
6		Requests of Volume 1 and Centra Gas
7		Manitoba Inc.'s Response. Comparison
8		of weather-normal and actual volumes/
9		throughput
10	CAC/MSOS/CENTRA-1-40	Consumers' Association of
11		Canada (Manitoba) Inc. and Manitoba
12		Society of Seniors' Information
13		Requests of Volume 1 and Centra Gas
14		Manitoba Inc.'s Response. 15 to 5
15		year DSM amortization; forecast and
16		actual DSM amortization; impact on
17		revenue requirement
18	CAC/MSOS/CENTRA-1-41	Consumers' Association of
19		Canada (Manitoba) Inc. and Manitoba
20		Society of Seniors' Information
21		Requests of Volume 1 and Centra Gas
22		Manitoba Inc.'s Response. Furnace
23		Replacement Program
24		
25		

1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	CAC/MSOS/CENTRA-1-42	Consumers' Association of	
4		Canada (Manitoba) Inc. and Manitoba	
5		Society of Seniors' Information	
6		Requests of Volume 1 and Centra Gas	
7		Manitoba Inc.'s Response. Bill	
8		Assistance Report; Power Smart plan,	
9		DSM plans	
10	CAC/MSOS/CENTRA-1-43	Consumers' Association of	
11		Canada (Manitoba) Inc. and Manitoba	
12		Society of Seniors' Information	
13		Requests of Volume 2 and Centra Gas	
14		Manitoba Inc.'s Response. TCPL	
15		tolls and capacity	
16	CAC/MSOS/CENTRA-1-44	Consumers' Association of	
17		Canada (Manitoba) Inc. and Manitoba	
18		Society of Seniors' Information	
19		Requests of Volume 2 and Centra Gas	
20		Manitoba Inc.'s Response. Firm	
21		capacity to Manitoba delivery area,	
22		STFT	
23			
24			
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1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-1-45	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' Information
6		Requests of Volume 2 and Centra Gas
7		Manitoba Inc.'s Response. Segregation
8		of TCPL capacity to Welwyn
9	CAC/MSOS/CENTRA-1-46	Consumers' Association of
10		Canada (Manitoba) Inc. and Manitoba
11		Society of Seniors' Information
12		Requests of Volume 2 and Centra Gas
13		Manitoba Inc.'s Response. Breakdown
14		of \$5.7M in transportation savings
15	CAC/MSOS/CENTRA-1-47	Consumers' Association of
16		Canada (Manitoba) Inc. and Manitoba
17		Society of Seniors' Information
18		Requests of Volume 2 and Centra Gas
19		Manitoba Inc.'s Response. Right
20		of first refusal on ANR capacity
21		
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1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	CAC/MSOS/CENTRA-1-48	Consumers' Association of	
4		Canada (Manitoba) Inc. and Manitoba	
5		Society of Seniors' Information	
6		Requests of Volume 2 and Centra Gas	
7		Manitoba Inc.'s Response. Gas storage	
8		inventory, storage operational	
9		plans and procedures	
10	CAC/MSOS/CENTRA-1-49	Consumers' Association of	
11		Canada (Manitoba) Inc. and Manitoba	
12		Society of Seniors' Information	
13		Requests of Volume 2 and Centra Gas	
14		Manitoba Inc.'s Response. Gas supply	
15		contract RFP, PUB interaction	
16	CAC/MSOS/CENTRA-1-50	Consumers' Association of	
17		Canada (Manitoba) Inc. and Manitoba	
18		Society of Seniors' Information	
19		Requests of Volume 2 and Centra Gas	
20		Manitoba Inc.'s Response. ICF report,	
21		future supply and storage plans	
22			
23			
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1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-1-51	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' Information
6		Requests of Volume 2 and Centra Gas
7		Manitoba Inc.'s Response. ICF report,
8		shale gas production in BC, effects
9		on ICF's conclusions
10	CAC/MSOS/CENTRA-1-52	Consumers' Association of
11		Canada (Manitoba) Inc. and Manitoba
12		Society of Seniors' Information
13		Requests of Volume 2 and Centra Gas
14		Manitoba Inc.'s Response. Reconcile
15		ICF text with graph on basis
16		differentials
17	CAC/MSOS/CENTRA-1-53	Consumers' Association of
18		Canada (Manitoba) Inc. and Manitoba
19		Society of Seniors' Information
20		Requests of Volume 2 and Centra Gas
21		Manitoba Inc.'s Response. Different
22		models of short term supply and
23		STFT capacity on TCPL.
24		
25		

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-1-54	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' Information
6		Requests of Volume 2 and Centra Gas
7		Manitoba Inc.'s Response. Review
8		of storage options after expiry of
9		ANR and GLGT contracts
10	CAC/MSOS/CENTRA-1-55	Consumers' Association of
11		Canada (Manitoba) Inc. and Manitoba
12		Society of Seniors' Information
13		Requests of Volume 2 and Centra Gas
14		Manitoba Inc.'s Response. Deferral
15		account change to gas year from
16		fiscal year
17	CAC/MSOS/CENTRA-1-56	Consumers' Association of
18		Canada (Manitoba) Inc. and Manitoba
19		Society of Seniors' Information
20		Requests of Volume 2 and Centra Gas
21		Manitoba Inc.'s Response. Timing
22		of deferral accounts
23		
24		
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1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-1-57	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' Information
6		Requests of Volume 2 and Centra Gas
7		Manitoba Inc.'s Response. Supplemental
8		gas deferral account, billing
9		percentage, supplemental gas billings
10	CAC/MSOS/CENTRA-1-58	Consumers' Association of
11		Canada (Manitoba) Inc. and Manitoba
12		Society of Seniors' Information
13		Requests of Volume 2 and Centra Gas
14		Manitoba Inc.'s Response. Supplemental
15		gas forecasted for 2009/10 but not
16		2008/09 - why? Other purchasing
17		options for primary gas, delivered
18		services.
19	CAC/MSOS/CENTRA-1-59	Consumers' Association of
20		Canada (Manitoba) Inc. and Manitoba
21		Society of Seniors' Information
22		Requests of Volume 2 and Centra Gas
23		Manitoba Inc.'s Response. Foreign
24		exchange rates
25		

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-1-60	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' Information
6		Requests of Volume 2 and Centra Gas
7		Manitoba Inc.'s Response. Capacity
8		management, transportation load
9		factor, capacity release, AECO and
10		MichCon City gate prices
11	CAC/MSOS/CENTRA-1-61	Consumers' Association of
12		Canada (Manitoba) Inc. and Manitoba
13		Society of Seniors' Information
14		Requests of Volume 2 and Centra Gas
15		Manitoba Inc.'s Response. Capacity
16		management activity revenues and
17		costs, AECO and MichCon city gate
18		prices
19	CAC/MSOS/CENTRA-1-62	Consumers' Association of
20		Canada (Manitoba) Inc. and Manitoba
21		Society of Seniors' Information
22		Requests of Volume 2 and Centra Gas
23		Manitoba Inc.'s Response.
24		Supplemental gas rate design
25		

1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	CAC/MSOS/CENTRA-1-63	Consumers' Association of	
4		Canada (Manitoba) Inc. and Manitoba	
5		Society of Seniors' Information	
6		Requests of Volume 2 and Centra Gas	
7		Manitoba Inc.'s Response. Electronic	
8		versions of cost allocation schedules	
9	CAC/MSOS/CENTRA-1-64	Consumers' Association of	
10		Canada (Manitoba) Inc. and Manitoba	
11		Society of Seniors' Information	
12		Requests of Volume 2 and Centra Gas	
13		Manitoba Inc.'s Response.	
14		Functionalization for downstream	
15		functions, O&A allocations.	
16	CAC/MSOS/CENTRA-1-65	Consumers' Association of	
17		Canada (Manitoba) Inc. and Manitoba	
18		Society of Seniors' Information	
19		Requests of Volume 2 and Centra Gas	
20		Manitoba Inc.'s Response.	
21		Classification of asset related	
22		costs, O&A, corporate allocation	
23		and capital and other taxes.	
24			
25			

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-1-66	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' Information
6		Requests of Volume 2 and Centra Gas
7		Manitoba Inc.'s Response. Allocation
8		factors, coincident and non-
9		coincident peak demand
10	CAC/MSOS/CENTRA-1-67	Consumers' Association of
11		Canada (Manitoba) Inc. and Manitoba
12		Society of Seniors' Information
13		Requests of Volume 2 and Centra Gas
14		Manitoba Inc.'s Response. Reconcile
15		customer numbers and volumes between
16		Schedule 4.2.4 and Schedule 9.2.1
17	CAC/MSOS/CENTRA-1-68	Consumers' Association of
18		Canada (Manitoba) Inc. and Manitoba
19		Society of Seniors' Information
20		Requests of Volume 2 and Centra Gas
21		Manitoba Inc.'s Response. Non-gas
22		revenue at proposed rates, revenue
23		to cost ratios, percentage of costs
24		recovered from BMC
25		

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-1-69	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' Information
6		Requests of Volume 2 and Centra Gas
7		Manitoba Inc.'s Response. Calculation
8		of rate delay amount
9	CAC/MSOS/CENTRA-1-70	Consumers' Association of
10		Canada (Manitoba) Inc. and Manitoba
11		Society of Seniors' Information
12		Requests of Volume 2 and Centra Gas
13		Manitoba Inc.'s Response.
14		Appropriateness of using 2009/10
15		allocations for 2010/11
16	CAC/MSOS/CENTRA-2-71	Consumers' Association of
17		Canada (Manitoba) Inc. and Manitoba
18		Society of Seniors' 2nd Round
19		Information Requests and Centra Gas
20		Manitoba Inc.'s Response. "Applicant"
21		vs "the Corporation"
22		
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1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-2-72	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' 2nd Round
6		Information Requests and Centra Gas
7		Manitoba Inc.'s Response. Short
8		term floating rate debt and risk
9		tolerance
10	CAC/MSOS/CENTRA-2-73	Consumers' Association of
11		Canada (Manitoba) Inc. and Manitoba
12		Society of Seniors' 2nd Round
13		Information Requests and Centra Gas
14		Manitoba Inc.'s Response. Regulatory
15		evidence related to the business
16		risks of gas distribution utilities,
17		electricity generators, and electricity
18		transmission and distribution utilities
19	CAC/MSOS/CENTRA-2-74	Consumers' Association of
20		Canada (Manitoba) Inc. and Manitoba
21		Society of Seniors' 2nd Round
22		Information Requests and Centra Gas
23		Manitoba Inc.'s Response. Short
24		and long term debt forecasts.
25		

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-2-75	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' 2nd Round
6		Information Requests and Centra Gas
7		Manitoba Inc.'s Response. Development
8		and approval of the forecast one
9		month Bankers' acceptance rate of
10		4.05 percent.
11	CAC/MSOS/CENTRA-2-76	Consumers' Association of
12		Canada (Manitoba) Inc. and Manitoba
13		Society of Seniors' 2nd Round
14		Information Requests and Centra Gas
15		Manitoba Inc.'s Response. Methodology
16		to derive forecast for short term
17		debt rate, review of Bankers'
18		Acceptances and T-bills
19	CAC/MSOS/CENTRA-2-77	Consumers' Association of
20		Canada (Manitoba) Inc. and Manitoba
21		Society of Seniors' 2nd Round
22		Information Requests and Centra Gas
23		Manitoba Inc.'s Response. Long term
24		debt maturities - categorization into
25		1-10 years and 11-20 years

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-2-78	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' 2nd Round
6		Information Requests and Centra Gas
7		Manitoba Inc.'s Response. Interest
8		rate disparity between MH and
9		Centra
10	CAC/MSOS/CENTRA-2-79	Consumers' Association of
11		Canada (Manitoba) Inc. and Manitoba
12		Society of Seniors' 2nd Round
13		Information Requests and Centra Gas
14		Manitoba Inc.'s Response. Changes in
15		accounting policies, including
16		amortization period for DSM, and
17		the resulting dollar impacts
18	CAC/MSOS/CENTRA-2-80	Consumers' Association of
19		Canada (Manitoba) Inc. and Manitoba
20		Society of Seniors' 2nd Round
21		Information Requests and Centra Gas
22		Manitoba Inc.'s Response. Electronic
23		filings, collaborative process to
24		develop a system
25		

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-2-81	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' 2nd Round
6		Information Requests and Centra Gas
7		Manitoba Inc.'s Response. Retail
8		distribution rate comparison, CSP
9		target of "amount the lowest rates"
10	CAC/MSOS/CENTRA-2-82	Consumers' Association of
11		Canada (Manitoba) Inc. and Manitoba
12		Society of Seniors' 2nd Round
13		Information Requests and Centra Gas
14		Manitoba Inc.'s Response. EFT's
15		and labour costs
16	CAC/MSOS/CENTRA-2-83	Consumers' Association of
17		Canada (Manitoba) Inc. and Manitoba
18		Society of Seniors' 2nd Round
19		Information Requests and Centra Gas
20		Manitoba Inc.'s Response.
21		Productivity efficiency increases;
22		inflation vs escalation vs salary
23		increases; head office productivity
24		improvement of 10 percent.
25		

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-2-84	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' 2nd Round
6		Information Requests and Centra Gas
7		Manitoba Inc.'s Response. Debt
8		to equity ratios, retained earnings,
9		and historical IFFs
10	CAC/MSOS/CENTRA-2-85	Consumers' Association of
11		Canada (Manitoba) Inc. and Manitoba
12		Society of Seniors' 2nd Round
13		Information Requests and Centra Gas
14		Manitoba Inc.'s Response. Internal
15		GRA costs
16	CAC/MSOS/CENTRA-2-86	Consumers' Association of
17		Canada (Manitoba) Inc. and Manitoba
18		Society of Seniors' 2nd Round
19		Information Requests and Centra Gas
20		Manitoba Inc.'s Response. Board
21		order approval of the \$12 million
22		corporate allocation in the rate
23		of return methodology
24		
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1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	CAC/MSOS/CENTRA-2-87	Consumers' Association of	
4		Canada (Manitoba) Inc. and Manitoba	
5		Society of Seniors' 2nd Round	
6		Information Requests and Centra Gas	
7		Manitoba Inc.'s Response. Allocation	
8		of O&A	
9	CAC/MSOS/CENTRA-2-88	Consumers' Association of	
10		Canada (Manitoba) Inc. and Manitoba	
11		Society of Seniors' 2nd Round	
12		Information Requests and Centra Gas	
13		Manitoba Inc.'s Response. Reduction	
14		of amortization period for DSM	
15		expenses - provide analysis	
16	CAC/MSOS/CENTRA-2-89	Consumers' Association of	
17		Canada (Manitoba) Inc. and Manitoba	
18		Society of Seniors' 2nd Round	
19		Information Requests and Centra Gas	
20		Manitoba Inc.'s Response. MH opinion	
21		that rate regulated accounting will	
22		no longer be allowed under IFRS	
23			
24			
25			

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-2-90	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' 2nd Round
6		Information Requests and Centra Gas
7		Manitoba Inc.'s Response. Carrying
8		costs on deferred costs, unamortized
9		costs, and variance accounts
10	CAC/MSOS/CENTRA-2-91	Consumers' Association of
11		Canada (Manitoba) Inc. and Manitoba
12		Society of Seniors' 2nd Round
13		Information Requests and Centra Gas
14		Manitoba Inc.'s Response. Comparison
15		table of forecast gross plant to
16		actual gross plant
17	CAC/MSOS/CENTRA-2-92	Consumers' Association of
18		Canada (Manitoba) Inc. and Manitoba
19		Society of Seniors' 2nd Round
20		Information Requests and Centra Gas
21		Manitoba Inc.'s Response. Non-gas
22		revenue and revenue to cost ratios,
23		why is a rate increase necessary for
24		SGS class, discrepancies between CAC/
25		MSOS/Centra 68 and Schedules 9.1.0.

1 LIST OF EXHIBIT (cont'd)

2 CAC/MSOS/CENTRA-2-93 Consumers' Association of

3 Canada (Manitoba) Inc. and Manitoba

4 Society of Seniors' 2nd Round

5 Information Requests and Centra Gas

6 Manitoba Inc.'s Response.

7 Classification and allocation factors,

8 weighting customer numbers.

9 CAC/MSOS/CENTRA-2-94 Consumers' Association of

10 Canada (Manitoba) Inc. and Manitoba

11 Society of Seniors' 2nd Round

12 Information Requests and Centra Gas

13 Manitoba Inc.'s Response. Methods

14 for classifying costs: minimum

15 plant and zero intercept; minimum

16 pipe, regulator, and meter sizes

17 CAC/MSOS/CENTRA-2-95 Consumers' Association of

18 Canada (Manitoba) Inc. and Manitoba

19 Society of Seniors' 2nd Round

20 Information Requests and Centra Gas

21 Manitoba Inc.'s Response. Provide

22 studies or work papers for all

23 allocators where classification as

24 demand, energy, or customer is not

25 100 percent

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-2-96	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' 2nd Round
6		Information Requests and Centra Gas
7		Manitoba Inc.'s Response.
8		Classification and allocation factors
9		for the 2010/11 test year
10	CAC/MSOS/CENTRA-2-97	Consumers' Association of
11		Canada (Manitoba) Inc. and Manitoba
12		Society of Seniors' 2nd Round
13		Information Requests and Centra Gas
14		Manitoba Inc.'s Response. System
15		coincident and non-coincident peaks;
16		35 percent of demand costs transferred
17		to energy category
18	CAC/MSOS/CENTRA-2-98	Consumers' Association of
19		Canada (Manitoba) Inc. and Manitoba
20		Society of Seniors' 2nd Round
21		Information Requests and Centra Gas
22		Manitoba Inc.'s Response. Allocation
23		of non-gas costs to Primary Gas
24		overhead rate, over-allocation of
25		President and CEO

1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	CAC/MSOS/CENTRA-2-99	Consumers' Association of	
4		Canada (Manitoba) Inc. and Manitoba	
5		Society of Seniors' 2nd Round	
6		Information Requests and Centra Gas	
7		Manitoba Inc.'s Response. IT budget	
8		per EFT, metrics for utility industry,	
9		benchmark to other utilities.	
10	CAC/MSOS/CENTRA-2-100	Consumers' Association of	
11		Canada (Manitoba) Inc. and Manitoba	
12		Society of Seniors' 2nd Round	
13		Information Requests and Centra Gas	
14		Manitoba Inc.'s Response. TCPL's	
15		determination of available mainline	
16		capacity	
17	CAC/MSOS/CENTRA-2-101	Consumers' Association of	
18		Canada (Manitoba) Inc. and Manitoba	
19		Society of Seniors' 2nd Round	
20		Information Requests and Centra Gas	
21		Manitoba Inc.'s Response. Need	
22		for STFT service; IT service for	
23		Primary Gas	
24			
25			

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-2-102	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' 2nd Round
6		Information Requests and Centra Gas
7		Manitoba Inc.'s Response. Storage
8		volume composition between Primary
9		and Supplemental gas
10	CAC/MSOS/CENTRA-2-103	Consumers' Association of
11		Canada (Manitoba) Inc. and Manitoba
12		Society of Seniors' 2nd Round
13		Information Requests and Centra Gas
14		Manitoba Inc.'s Response. US supply
15		purchases at daily, monthly, or other
16		prices; disposal of surplus capacity
17		on ANR SE
18	CAC/MSOS/CENTRA-2-104	Consumers' Association of
19		Canada (Manitoba) Inc. and Manitoba
20		Society of Seniors' 2nd Round
21		Information Requests and Centra Gas
22		Manitoba Inc.'s Response. Dispatch
23		strategy for various supply options
24		
25		

1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	CAC/MSOS/CENTRA-2-105	Consumers' Association of	
4		Canada (Manitoba) Inc. and Manitoba	
5		Society of Seniors' 2nd Round	
6		Information Requests and Centra Gas	
7		Manitoba Inc.'s Response. May update	
8		to Application - extent of update	
9	CAC/MSOS/CENTRA-2-106	Consumers' Association of	
10		Canada (Manitoba) Inc. and Manitoba	
11		Society of Seniors' 2nd Round	
12		Information Requests and Centra Gas	
13		Manitoba Inc.'s Response. mmBtu/GJ	
14		conversion factor	
15	CAC/MSOS/CENTRA-2-107	Consumers' Association of	
16		Canada (Manitoba) Inc. and Manitoba	
17		Society of Seniors' 2nd Round	
18		Information Requests and Centra Gas	
19		Manitoba Inc.'s Response. mmBtu/GJ	
20		conversion factor	
21			
22			
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1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-2-108	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' 2nd Round
6		Information Requests and Centra Gas
7		Manitoba Inc.'s Response. Changes to
8		Capacity Management plan, avoidance
9		of transactions unless they present
10		zero risk
11	CAC/MSOS/CENTRA-2-109	Consumers' Association of
12		Canada (Manitoba) Inc. and Manitoba
13		Society of Seniors' 2nd Round
14		Information Requests and Centra Gas
15		Manitoba Inc.'s Response. Centra's
16		internal regulatory costs for the
17		GRA
18	CAC/MSOS/CENTRA-2-110	Consumers' Association of
19		Canada (Manitoba) Inc. and Manitoba
20		Society of Seniors' 2nd Round
21		Information Requests and Centra Gas
22		Manitoba Inc.'s Response. O&A activity
23		charges capitalized on account of DSM
24		- actual vs approved or forecast
25		

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-2-111	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' 2nd Round
6		Information Requests and Centra Gas
7		Manitoba Inc.'s Response. Return
8		on equity calculations using varying
9		Consensus Reports
10	CAC/MSOS/CENTRA-2-112	Consumers' Association of
11		Canada (Manitoba) Inc. and Manitoba
12		Society of Seniors' 2nd Round
13		Information Requests and Centra Gas
14		Manitoba Inc.'s Response. New head
15		office: some building and space costs
16		are included in overhead and others
17		in activity rates, overhead
18		calculations
19	CAC/MSOS/CENTRA-2-113	Consumers' Association of
20		Canada (Manitoba) Inc. and Manitoba
21		Society of Seniors' 2nd Round
22		Information Requests and Centra Gas
23		Manitoba Inc.'s Response. Potential for
24		reduced costs due to new head office,
25		costs of 444 St. Mary

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-2-114	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' 2nd Round
6		Information Requests and Centra Gas
7		Manitoba Inc.'s Response. Update
8		PUB/Centra 148 from 2007 GRA,
9		regarding new head office construction
10		costs
11	CAC/MSOS/CENTRA-2-115	Consumers' Association of
12		Canada (Manitoba) Inc. and Manitoba
13		Society of Seniors' 2nd Round
14		Information Requests and Centra Gas
15		Manitoba Inc.'s Response. Property
16		taxes for new head office
17	CAC/MSOS/CENTRA-2-116	Consumers' Association of
18		Canada (Manitoba) Inc. and Manitoba
19		Society of Seniors' 2nd Round
20		Information Requests and Centra Gas
21		Manitoba Inc.'s Response. Overhead
22		cost forecast, "pending skills
23		deficit" and its actual effect on
24		corporate allocations and
25		adjustments.

1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	CAC/MSOS/CENTRA-2-117	Consumers' Association of	
4		Canada (Manitoba) Inc. and Manitoba	
5		Society of Seniors' 2nd Round	
6		Information Requests and Centra Gas	
7		Manitoba Inc.'s Response. Activity	
8		charges, primary costs, and overheads	
9	CAC/MSOS/CENTRA-2-118	Consumers' Association of	
10		Canada (Manitoba) Inc. and Manitoba	
11		Society of Seniors' 2nd Round	
12		Information Requests and Centra Gas	
13		Manitoba Inc.'s Response. Activity	
14		rates including for historical years	
15	CAC/MSOS/CENTRA-2-119	Consumers' Association of	
16		Canada (Manitoba) Inc. and Manitoba	
17		Society of Seniors' 2nd Round	
18		Information Requests and Centra Gas	
19		Manitoba Inc.'s Response. Activity	
20		charges by workgroup	
21			
22			
23			
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1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	CAC/MSOS/CENTRA-2-120	Consumers' Association of	
4		Canada (Manitoba) Inc. and Manitoba	
5		Society of Seniors' 2nd Round	
6		Information Requests and Centra Gas	
7		Manitoba Inc.'s Response. Fixed rate	
8		offerings; advertising; continuing	
9		until subscribed	
10	CAC/MSOS/CENTRA-2-121	Consumers' Association of	
11		Canada (Manitoba) Inc. and Manitoba	
12		Society of Seniors' 2nd Round	
13		Information Requests and Centra Gas	
14		Manitoba Inc.'s Response. DSM	
15		expenditures, amortization charges,	
16		revenue requirement, and measure life.	
17	CAC/MSOS/CENTRA-2-122	Consumers' Association of	
18		Canada (Manitoba) Inc. and Manitoba	
19		Society of Seniors' 2nd Round	
20		Information Requests and Centra Gas	
21		Manitoba Inc.'s Response. DSM	
22		activity in other Canadian	
23		jurisdictions, DSM deferrals	
24			
25			

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-2-123	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' 2nd Round
6		Information Requests and Centra Gas
7		Manitoba Inc.'s Response. Terasen's
8		application for 20 years DSM
9		amortization
10	CAC/MSOS/CENTRA-2-124	Consumers' Association of
11		Canada (Manitoba) Inc. and Manitoba
12		Society of Seniors' 2nd Round
13		Information Requests and Centra Gas
14		Manitoba Inc.'s Response. Authorities
15		relied on for determining the
16		appropriate DSM amortization period
17	CAC/MSOS/CENTRA-2-125	Consumers' Association of
18		Canada (Manitoba) Inc. and Manitoba
19		Society of Seniors' 2nd Round
20		Information Requests and Centra Gas
21		Manitoba Inc.'s Response. IFRS
22		provisions that will not allow rate
23		regulated accounting; impacts of IFRS
24		on DSM amortization periods
25		

1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	CAC/MSOS/CENTRA-2-126	Consumers' Association of	
4		Canada (Manitoba) Inc. and Manitoba	
5		Society of Seniors' 2nd Round	
6		Information Requests and Centra Gas	
7		Manitoba Inc.'s Response. Opinion	
8		of bond rating agencies or other	
9		analysts on limiting the size of	
10		deferral balances.	
11	CAC/MSOS/CENTRA-2-127	Consumers' Association of	
12		Canada (Manitoba) Inc. and Manitoba	
13		Society of Seniors' 2nd Round	
14		Information Requests and Centra Gas	
15		Manitoba Inc.'s Response. Income	
16		eligibility for Furnace Replacement	
17		Program (FRP)	
18	CAC/MSOS/CENTRA-2-128	Consumers' Association of	
19		Canada (Manitoba) Inc. and Manitoba	
20		Society of Seniors' 2nd Round	
21		Information Requests and Centra Gas	
22		Manitoba Inc.'s Response. Amount of	
23		co-payment require under FRP for	
24		varying income levels	
25			

1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	CAC/MSOS/CENTRA-2-129	Consumers' Association of	
4		Canada (Manitoba) Inc. and Manitoba	
5		Society of Seniors' 2nd Round	
6		Information Requests and Centra Gas	
7		Manitoba Inc.'s Response. Bidding	
8		process for contractors involved	
9		in the FRP	
10	CAC/MSOS/CENTRA-2-130	Consumers' Association of	
11		Canada (Manitoba) Inc. and Manitoba	
12		Society of Seniors' 2nd Round	
13		Information Requests and Centra Gas	
14		Manitoba Inc.'s Response. FRP	
15		quality assurance and tracking	
16	CAC/MSOS/CENTRA-2-131	Consumers' Association of	
17		Canada (Manitoba) Inc. and Manitoba	
18		Society of Seniors' 2nd Round	
19		Information Requests and Centra Gas	
20		Manitoba Inc.'s Response. Process	
21		and impact evaluations for FRP	
22			
23			
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1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-2-132	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' 2nd Round
6		Information Requests and Centra Gas
7		Manitoba Inc.'s Response. Process
8		and impact evaluations for FRP,
9		compliance with Board's directive
10		from 99/07
11	CAC/MSOS/CENTRA-2-133	Consumers' Association of
12		Canada (Manitoba) Inc. and Manitoba
13		Society of Seniors' 2nd Round
14		Information Requests and Centra Gas
15		Manitoba Inc.'s Response. Pre- and
16		post-retrofit assessments for FRP
17	CAC/MSOS/CENTRA-2-134	Consumers' Association of
18		Canada (Manitoba) Inc. and Manitoba
19		Society of Seniors' 2nd Round
20		Information Requests and Centra Gas
21		Manitoba Inc.'s Response. Number of
22		furnaces installed for FRP; contrast
23		with 2007 GRA estimates
24		
25		

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-2-135	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' 2nd Round
6		Information Requests and Centra Gas
7		Manitoba Inc.'s Response. Demographic
8		information on number of low income
9		houses, percentage heated with gas
10	CAC/MSOS/CENTRA-2-136	Consumers' Association of
11		Canada (Manitoba) Inc. and Manitoba
12		Society of Seniors' 2nd Round
13		Information Requests and Centra Gas
14		Manitoba Inc.'s Response. Hard to
15		reach the low income target market
16		absent the FRP
17	CAC/MSOS/CENTRA-2-137	Consumers' Association of
18		Canada (Manitoba) Inc. and Manitoba
19		Society of Seniors' 2nd Round
20		Information Requests and Centra Gas
21		Manitoba Inc.'s Response. Reasons
22		FRP is limited to homeowners
23		
24		
25		

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-2-138	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' 2nd Round
6		Information Requests and Centra Gas
7		Manitoba Inc.'s Response. Expression
8		of interest in the FRP for contractors.
9	CAC/MSOS/CENTRA-2-139	Consumers' Association of
10		Canada (Manitoba) Inc. and Manitoba
11		Society of Seniors' 2nd Round
12		Information Requests and Centra Gas
13		Manitoba Inc.'s Response. FRP - boiler
14		upgrade costs
15	CAC/MSOS/CENTRA-2-140	Consumers' Association of
16		Canada (Manitoba) Inc. and Manitoba
17		Society of Seniors' 2nd Round
18		Information Requests and Centra Gas
19		Manitoba Inc.'s Response.
20		Justification of energy savings being
21		in excess of \$19 per month.
22		
23		
24		
25		

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-2-141	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' 2nd Round
6		Information Requests and Centra Gas
7		Manitoba Inc.'s Response. Rationale
8		for \$1140 contribution from
9		customers for FRP
10	CAC/MSOS/CENTRA-2-142	Consumers' Association of
11		Canada (Manitoba) Inc. and Manitoba
12		Society of Seniors' 2nd Round
13		Information Requests and Centra Gas
14		Manitoba Inc.'s Response. FRP program
15		budget, breakdown of costs for
16		training, planning, evaluation,
17		administration
18	CAC/MSOS/CENTRA-2-143	Consumers' Association of
19		Canada (Manitoba) Inc. and Manitoba
20		Society of Seniors' 2nd Round
21		Information Requests and Centra Gas
22		Manitoba Inc.'s Response. Free-rider
23		assumption of 25 percent for FRP
24		
25		

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-2-144	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' 2nd Round
6		Information Requests and Centra Gas
7		Manitoba Inc.'s Response. Avoided
8		costs, participant costs, TRC, GHG
9		value, DSM measure life, discount
10		rate for FRP
11	CAC/MSOS/CENTRA-2-145	Consumers' Association of
12		Canada (Manitoba) Inc. and Manitoba
13		Society of Seniors' 2nd Round
14		Information Requests and Centra Gas
15		Manitoba Inc.'s Response. Other
16		avoided costs such as electricity,
17		water or participant costs
18	CAC/MSOS/CENTRA-2-146	Consumers' Association of
19		Canada (Manitoba) Inc. and Manitoba
20		Society of Seniors' 2nd Round
21		Information Requests and Centra Gas
22		Manitoba Inc.'s Response. DSM
23		programs not projected past 2011,
24		low income programs absent the federal
25		ecoEnergy programs

1	LIST OF EXHIBIT (cont'd)	
2	Exhibit No.	Page No.
3	CAC/MSOS/CENTRA-2-147	Consumers' Association of
4		Canada (Manitoba) Inc. and Manitoba
5		Society of Seniors' 2nd Round
6		Information Requests and Centra Gas
7		Manitoba Inc.'s Response. Adverse
8		consequences resulting from short
9		lifespan of FRP
10	CAC/MSOS/CENTRA-2-148	Consumers' Association of
11		Canada (Manitoba) Inc. and Manitoba
12		Society of Seniors' 2nd Round
13		Information Requests and Centra Gas
14		Manitoba Inc.'s Response. Coordination
15		between FRP and weatherization measures
16	CAC/MSOS/CENTRA-2-149	Consumers' Association of
17		Canada (Manitoba) Inc. and Manitoba
18		Society of Seniors' 2nd Round
19		Information Requests and Centra Gas
20		Manitoba Inc.'s Response. Consultation
21		with non-government organizations
22		(NGOs) to develop FRP; use of NGOs
23		to deliver program
24		
25		

1	LIST OF EXHIBIT (cont'd)		
2	Exhibit No.	Description	Page No.
3	CAC/MSOS/CENTRA-2-150	Consumers' Association of	
4		Canada (Manitoba) Inc. and Manitoba	
5		Society of Seniors' 2nd Round	
6		Information Requests and Centra Gas	
7		Manitoba Inc.'s Response. Transfer	
8		of contracting from customer to	
9		Centra or NGO for low income FRP	
10	CAC/MSOS-3	Pre-filed evidence of mark Stauff	
11	CAC/MSOS-4	Pre-filed evidence of Jerrold Oppenheim	
12	CAC/MSOS-5	Pre-filed evidence of J. McCormick	
13	ESMLP/CENTRA-1-1	Energy Savings (Manitoba) L.P.'s	
14		1st Round Information Requests and	
15		Centra Gas Manitoba Inc.'s Response.	
16		Changes in the terms and conditions	
17		of service concerning reconciliation	
18		of gas loans.	
19	ESMLP/CENTRA-1-2	Energy Savings (Manitoba) L.P.'s	
20		1st Round Information Requests and	
21		Centra Gas Manitoba Inc.'s Response.	
22		Changes in reconciliation of gas	
23		loans	
24			
25			

	LIST OF EXHIBIT (cont'd)		
1	Exhibit No.	Description	Page No.
2	KOCH/CENTRA-1-1	Koch Fertilizer Canada, Ltd.'s	
3		1st Round Information Requests and	
4		Centra Gas Manitoba Inc.'s Response.	
5		TCPL mainline pressures at	
6		Brandon station, why an expansion	
7		is necessary	
8	KOCH/CENTRA-1-2	Koch Fertilizer Canada, Ltd.'s	
9		1st Round Information Requests and	
10		Centra Gas Manitoba Inc.'s Response.	
11		Disproportionate rate increase to	
12		special contract customer compared to	
13		other high volume customers	
14	CAC/MSOS/CENTRA 2-150 THROUGH 2-169		
15		An additional nineteen (19) questions	
16		posed last evening by CAC/MSOS of Centra	
17		and will include those as Second Round	
18		Information Requests going right through	
19		to 169	130
20	CENTRA-6	Large handout	151
21	CENTRA-7	Update to PUB/CENTRA 13	185
22			
23			
24			
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1 --- Upon commencing at 9:12 a.m.

2

3 THE CHAIRPERSON: Thank you. Good
4 morning, ladies and gentlemen. Welcome to the first day
5 of the Public Utilities Board Hearing into Centra Gas
6 Manitoba's General Rate Applications for its fiscal 2010
7 year and also for its fiscal 2011 year. I'm Graham Lane,
8 Chairman of the Public Utilities Board of Manitoba and
9 I'm joined by Dr. Len Evans and Ms. Monica Girouard.

10 To begin with I want to thank Ms. Girouard
11 for chairing the pre-hearing conference in February the
12 9th while both Dr. Evans and myself were out of the
13 country, not on the same trip by the way.

14 The Board is assisted by its Executive
15 Director, Gerry Gaudreau, and Associate Secretary, Hollis
16 Singh, together with the Board Advisors who will be
17 introduced later by Board counsel.

18 The last final determination of gas cost
19 to non-gas cost components of Centra's rates was made by
20 the Board in Orders 99/'07 and 101/'07 which related to
21 Centra's fiscal 2008 and '09 test years. In the
22 Application that Centra filed earlier this year and
23 updated on May 5th, 2009, and subsequently I'll come to
24 that later, the Natural Gas Utility sought approval from
25 this Board to increase its overall rates by approximately

1 1 percent on average in each of the two (2) test years.

2 For the 2009/'10 test year, Centra
3 initially sought to generate additional annual non-gas
4 revenue of 5 1/2 million which would have resulted in a
5 forecast 3 million net income for the Utility. Similarly
6 for the 2010/'11 fiscal test year the approximate 1
7 percent overall rate increase would yield an additional
8 annual revenue of 5.8 million, again expected to produce
9 a projected net income of 3 million.

10 In addition to the rate increases for non-
11 gas cost increases which are funded through distribution
12 rates Centra also seeks adjustments in the rates charged
13 for supplementary gas, transportation, and unaccounted
14 for gas.

15 In this Hearing Centra is also seeking
16 final approval of actual non-gas primary gas costs for
17 the period April 1, 2007 to October the 31st, 2008. This
18 is a nineteen (19) month period instead of the customary
19 twelve (12) or twenty-four (24) month period and its
20 purpose appears to be aligned at a deferral account
21 period with the gas year, which runs from November 1st to
22 October 31st of the following calendar year.

23 The various deferral accounts that are not
24 related to primary gas are requested to be approved as at
25 October 31st, 2008, carrying costs to July 31st.

1 Centra is also seeking final approval for
2 the interim orders the Board has issued with respect to
3 primary gas quarterly rates and also with respect to
4 renewed franchise and crossing agreements with various
5 municipal governments. If any parties have any issues or
6 concerns with respect to these interim orders, this
7 Hearing is the opportunity to raise them.

8 Very recently there have been further
9 updates to Centra's Application. By way of a letter to
10 the Board dated May 27th, Centra notified the Board of a
11 further update to its Application. Centra then indicated
12 its net income for the year March 31st, 2009 was
13 considerably higher than its forecast and that this would
14 allow Centra to defer its proposed non-gas rate increase
15 effective date from May 1st, 2009 to February 1, 2010.

16 And in that update Centra also included
17 revisions to its filing reflecting an update to interest
18 rates flowing from Manitoba Hydro's 2009 Economic
19 Outlook. This update has impacted the finance expense
20 revenue requirement in the current Application. Centra
21 also indicated that it will delay the automated meter
22 infrastructure project which is now not expected to occur
23 during the test years.

24 Additionally, Centra's update at that time
25 disclosed that the power station -- for customers to make

1 a capital contribution to the upgrade of the Brandon
2 unodourized pipeline, a payment that would offset the
3 capital costs reflected in the IFF filed with Centra's
4 Application.

5 The details of these most recent updates
6 were filed with the Board on Friday, May 29th, 2009, and
7 most recently Monday, June 1st. So the Board will
8 request and expect the assistance of the parties as we
9 examine these areas and updates in greater detail.

10 Finally, the original Application also
11 sought this Board's approval to change activity rates and
12 terms and conditions of service, including service
13 disconnection and reconnection policies and procedures.
14 The Board will expect to hear the specifics and rationale
15 for the approvals Centra seeks in the days ahead, through
16 the evidence of Centra's witnesses.

17 The Board has also received and reviewed
18 pre-filed evidence from three (3) witnesses sponsored by
19 CAC/MSOS: Mr. Stauff, on gas cost matters; Mr.
20 Oppenheim, on DSM; and Mr. McCormick on finance matters.

21 With that background, I now call on Board
22 counsel, Mr. Peters, for his introduction and opening
23 comments, including a review of the procedures that will
24 be proposed for this hearing.

25 Mr. Peters...?

1 MR. BOB PETERS: Thank you and good
2 morning, Mr. Chairman, Board members Evans, Girouard,
3 ladies and gentleman. For the record, my name is Bob
4 Peters and I am counsel to the Board for this General
5 Rate Application by Centra Gas. The Board is also
6 assisted by its technical advisors, Roger Cathcart, CA of
7 Cathcart Advisors, seated to my left, and Brady Ryall,
8 Professional Engineer of Energy Consultants International
9 on my right.

10 Mr. Chairman, as you noted, there have
11 been recent updates and revisions to Centra's General
12 Rate Application, and while I expect Centra's witnesses
13 to highlight the revisions in their direct testimony, I
14 will also, through my questioning of the witnesses,
15 attempt to focus in and identify the issues that have
16 arisen and some of the changes. I expect all witnesses
17 and counsel will come with the same purpose, and that is
18 to answer your request for assistance and guidance, and
19 you can expect that over the next couple of weeks of
20 hearing days.

21 The procedures that you asked me to
22 review, Mr. Chairman, have been circulated to the parties
23 and, if I may, I'll review them for the benefit of the
24 Board and to allow any comments by anybody else in their
25 opening comments.

1 The outline of procedures, although
2 spelled incorrectly, is -- was circulated earlier this
3 week. And you will note, Mr. Chairman, that after my
4 opening comments, there are Intervenors who have received
5 registration permission from the Board.

6 The Consumers Association of Canada,
7 Manitoba, Inc. and the Manitoba Society of Seniors are
8 joining together for their joint intervention. Mr.
9 Saxberg is their counsel and he is present today.

10 Direct Energy Marketing Limited, Energy
11 Savings Manitoba, LP, and Koch Fertilizers Canada, ULC
12 have also been granted Intervenor status. They have not
13 indicated an attendance today, and I don't see them in
14 the hearing room and I think unless they announce
15 themselves otherwise, Mr. Chairman and Board members, we
16 can assume that they are going to be monitoring the
17 proceedings. And they may choose to come forward later
18 even with written or oral submissions, and we'll keep the
19 Board advised.

20 The -- the fifth Intervenor is the
21 Communications, Energy, and Paperworkers Union. Mr.
22 Sandy Boyd is present today and represents them before
23 the Board.

24 And Centra Gas has -- not one (1) has
25 indicated, but, yes, two (2) counsel present. Mr.

1 Czarnecki -- I apologized to him earlier for leaving him
2 off the procedures. I expected he was drawing diaper
3 duty, but he has been given permission to attend today.
4 And that's a -- that's a slight congratulations on the
5 record for his recent addition to his family.

6 In terms of the order of matters to be
7 heard, Mr. Chairman, the Centra panel that you will hear
8 from first is seated before you, and it will speak on gas
9 cost matters. And while that may appear as a change from
10 previous proceedings, it will deal with, perhaps, the
11 most significant numbers that are in the revenue
12 requirement, although some of them won't be dealt with at
13 length.

14 Mr. Warden, Mr. Stephens, Mr. Sanderson
15 are veterans before the Board, and I take this
16 opportunity to welcome Mr. Kostick who is the rookie.
17 I've sought assurances that he's not being hazed in the
18 back room as is the custom in the NHL dressing rooms at
19 this time of year. We welcome him here and look forward
20 to his evidence as well.

21 The second panel that Centra will be
22 putting forward will be the Cost -- sorry, the Revenue
23 Requirement Demand Side Management Cost Allocation and
24 Rate Design Panel. It's going to cover all of those four
25 (4) areas and it will have the witnesses identified

1 perhaps as early as tomorrow afternoon, but certainly by
2 Thursday of this week.

3 And then the Board will see -- the third
4 witness Panel will be an individual, Mr. McCormick, who
5 will be appearing on behalf of CAC/MSOS. Mr. Stauff and
6 Mr. Oppenheim will not be called to testify. Their pre-
7 filed evidence has been given exhibit numbers and I'll
8 mention those in a minute and, likewise, their
9 Information Request responses are also marked as exhibits
10 in this matter.

11 In terms of closing submissions some dates
12 have been pencilled in that, unless I am instructed by
13 others else -- otherwise, appear to be the dates that
14 suit the parties, provided we're on schedule, and we can
15 -- we can visit that as the days go on to see if there's
16 any movement on that.

17 But speaking of calendar days, Mr.
18 Chairman, on salmon-coloured paper in front of the Board
19 and others will be a mockup of the month of June, 2009,
20 with the expectations of counsel as to how the proceeding
21 will unfold before the Board. You will see that four
22 days this week have been set aside and are expected to be
23 utilized. The first couple for the Cost-of-Gas Panel and
24 then it will be turned over to the Rate -- the Revenue
25 Requirement DSM Rate Design Panel.

1 The Board will reconvene after this week
2 on June the 10th and -- and sit for the 10th, 11th, and
3 12th. And it is expected that the evidence may finish by
4 the 12th and that will include having heard from Mr.
5 McCormick on either late in the afternoon of June 11th or
6 early on the 12th.

7 There were some other days that the Board
8 had made available to the parties to conduct the -- the
9 General Rate Application and those dates are not being
10 seen as needed at this point in time and closing
11 submissions to accommodate schedules could start as early
12 as the 17th of June with my closing comments as well as
13 Intervenors, and unless we can find an alternate date the
14 24th has been set aside for the closing submissions on
15 behalf of Centra.

16 If there any questions or concerns about
17 the schedule at any time, Mr. Chairman, just please bring
18 them to my attention and we'll work with the Board to
19 make sure things proceed smoothly.

20 I mentioned exhibits and I do want to take
21 this opportunity on behalf of all the parties to enter
22 the exhibits into the record formally, and I'll do it
23 briefly; that PUB Exhibit 1 will the Notice of Hearing.

24 1-2 will be the Reminder Notice.

25 PUB 2 will be the Rules of Practice.

1 PUB-3 will be the timetable for the
2 orderly conduct of the Hearing that was sub -- circulated
3 at the Pre-Hearing Conference.

4 PUB Exhibit 4 will be the -- the Hearing
5 of the -- sorry, will be the transcript of the Pre-
6 Hearing Conference, held February 9th.

7 Exhibit PUB-5 will be Order 12 of '09,
8 dated February 17th, dealing with the Intervenor
9 Registrations.

10 PUB Exhibit 6 will be Order 74 of '09,
11 dated March the -- or sorry, dated May the 4th, 2009,
12 dealing with a motion by CAC/MSOS.

13 And then Exhibit PUB/CENTRA 7-1 through to
14 7-142 will be the Information Requests posed on behalf of
15 the Board and Centra's responses to First Round
16 questions.

17 And then Exhibit PUB/CENTRA 8-143 to 8-209
18 will be Information Requests posed on behalf of the Board
19 in the Second Round and Centra's responses.

20 Then we have PUB/CAC/MSOS Exhibit 9-1
21 through 9-23 and those are Information Requests posed on
22 behalf of the Board and the answers by CAC/MSOS.

23 PUB Exhibit 10 will be a letter dated May
24 22nd from Maple Leaf Foods that had been circulated.

25 And PUB Exhibit 11 will be a book of

1 documents that has been prepared on behalf of the Board
2 by Board Counsel and Advisors and will be utilized in our
3 questioning of the witnesses.

4 If I can I'll turn to the Centra exhibits.
5 And Centra Exhibit 1 will be the Application, dated June
6 -- I'm sorry, dated January 20th, 2009, and it will also
7 include the May 5th update.

8 Centra Exhibit 2-1 is an Affidavit of
9 Publication and Service of Notice, dated March 30th '09.

10 Centra Exhibit 2-2 will be the Affidavit
11 of Publication and Service of the Reminder Notice, dated
12 May 27th, 2009.

13 Centra Exhibit 3 will have three (3)
14 parts. Exhibit 3A will be the May 29th update.

15 Exhibit 3B will be the rebuttal evidence.

16 And Exhibit Centra 3C will be the June 1st
17 update that you referenced, Mr. Chairman.

18 Centra Exhibit 4-1 through 4-8 will be the
19 witness qualifications for the various witnesses that
20 will appear before the Board.

21 Centra Exhibit -- CENTRA/CAC/MSOS 5-1 to
22 5-20 will be the Information Requests posed by Centra and
23 the responses by the various CAC/MSOS witnesses.

24 CAC/MSOS/CENTRA 1-1 through 1-70 will be
25 the CAC/MSOS Information Requests of Centra and Centra's

1 had Exhibits -- two (2) Information Requests posed in the
2 First Round also, and we will mark those as KOCH/CENTRA-
3 1-1 TO 1-2.

4 Mr. Chairman, in conclusion I would
5 suggest you call on the Intervenors who are represented
6 today for their opening comments and then turn to Centra
7 counsel and ask Ms. Murphy for any opening comments and
8 introductions of the witnesses and administering the oath
9 to the witnesses before their direct evidence before the
10 Board.

11 So subject to any questions you may have
12 of me, those conclude my opening comments. Thank you.

13 THE CHAIRPERSON: Thank you, Mr. Peters.
14 And so we'll turn our attention now to Mr. Saxberg for
15 CAC/MSOS.

16 Do you have any opening comments, Mr.
17 Saxberg?

18

19 OPENING COMMENTS BY MR. KRIS SAXBERG:

20 MR. KRIS SAXBERG: Yes, I do. Thank you
21 and good morning, Mr. Chairman, Members of the Board,
22 Ladies and Gentlemen. It's good to see everybody again.
23 My name is Kris Saxberg and the reason I'm hiding behind
24 these monitors is because I am the lawyer for CAC/MSOS
25 and I represent, notionally at least, or they represent

1 notionally, the residential consumers of gas in Manitoba.

2 And as in previous applications, CAC/MSOS
3 will be here throughout the Hearing and participate in
4 all aspects, cross-examination, presentation of direct
5 evidence and closing arguments. My clients will be here
6 from time to time.

7 Kim Wiens is the Executive Director of --
8 of Manitoba Society of Seniors. Gloria Desorcy is the
9 Executive Director of the Consumers Association of
10 Canatoba -- Consumers Association of Canada, Manitoba
11 Branch. My tie's too tight and it's cutting off blood to
12 my head. They're not here today and they both send their
13 regrets. Gloria's under the weather and Kim is away from
14 the office this week. But they will be here, as their
15 schedules permit and certainly monitoring and I'll be
16 reporting back to them daily.

17 CAC/MSOS is going to present direct
18 evidence in the form of John McCormick, who is a
19 financial guru -- it's my words -- from Alberta, and I
20 think you'll all enjoy his presentation and his
21 presentation style. He's going to speak on an area that
22 I don't believe has -- has really been dealt with in
23 detail in -- in these proceedings, at least none that
24 I've attended.

25 We've also produced the evidence of Mark

1 Stauff and Jerrold Oppenheim, which I understand goes
2 into evidence uncontested as to factual underpinnings,
3 which isn't to say that Centra agrees or shares the
4 opinion of Mr. Stauff and Mr. Oppenheim, just that there
5 are not technical or factual issues that are large enough
6 to -- to cause contest in this proceeding. It's a debate
7 over policy and opinion.

8 The primary focus of our intervention is
9 to challenge Centra with respect to revenue requirement
10 matters, and in particular financing charges. I've a lot
11 of questions for the Revenue Panel and they perhaps have
12 expanded since my earlier estimate that I would be
13 approximately a day with the panel. I will be very brief
14 with the Gas Panel to hopefully facilitate -- allowing
15 for some extra questions of the Revenue panel.

16 In short, in terms of a summary position,
17 CAC/MSOS opposes the rate increases sought by Centra,
18 flat out. CAC/MSOS also wants to see a more targeted,
19 ambitious, and much easier to understand objective for
20 DSM and in particular the furnace replacement program.
21 CAC/MSOS would like Centra to have the objective of
22 replacing standard efficiency furnaces in low-income
23 homes within the next five (5) years, to the extent that
24 customers are willing to participate in that.

25 The spin-off benefit to other customers

1 and society as a whole with the focus of Mr. -- one (1)
2 of the focusses of Mr. Oppenheim's evidence -- he goes
3 into considerable detail on that -- for low-income
4 customers the timing of extra DSM spending will help
5 them, we believe, during this economic time of
6 difficulty. And from a policy perspective it also --
7 from our perspective at least -- it helps to avoid
8 consideration of more controversial or unique measures
9 such as specific low-income rates.

10 Regarding gas supply and capacity
11 management CAC/MSOS remains concerned about hedging and
12 the enormous additions to gas costs for what we see as an
13 unnoticeable reduction in bill volatility. And -- and we
14 note that the changing of the formula has had some impact
15 but -- but not as much as -- as we had hoped in that
16 regard.

17 And we think also that Centra might be
18 able to get some more out of it -- storage asset --
19 through a third party asset management arrangement and we
20 will explore that. We'll also explore Centra's new
21 arrangements for gas supply and its thoughts about its
22 long-term planning, regarding transportation and storage
23 arrangements.

24 Finally, I commend Centra for updating its
25 financing charges, which was a recommendation of Mr.

1 McCormick. It's resulted in a substantial reduction in
2 the increased revenue requirements sought, to the tune of
3 about 3.6 million to 3.8 million in each of the next two
4 (2) years. However, there remain certain disagreements,
5 perhaps certain misunderstandings, and certain approaches
6 that are at variance between this Intervenor and the
7 Applicant. Hopefully the hearing will clear it all up.

8 And so those are my opening comments.
9 Thank you very much.

10 THE CHAIRPERSON: Thank you, Mr. Saxberg.
11 Mr. Boyd, do you have any opening
12 comments?

13

14 OPENING COMMENTS BY MR. SANDY BOYD:

15 MR. SANDY BOYD: Yes, I do. Good
16 morning, Mr. Chair, Board. My name is Sandy Boyd. I
17 represent the gas workers at the Communication, Energy,
18 and Paperworkers' Local 681. We represent the gas
19 workers at Manitoba Hydro and Manitoba Utility Services.

20 As one (1) of the major stakeholders in
21 the natural gas industry in Manitoba, we are glad that we
22 have the opportunity to intervene at a hearing such as
23 this. Our primary interest would be on the Revenue Panel
24 and whatnot like that.

25 And I must have missed it in -- in all

1 this stuff here but the AMI stuff sounds like it's going
2 to be delayed for a couple of years, so the questions
3 that we have on that will wait till that year comes
4 forward.

5 We'll be attending as best we can. We are
6 presently in negotiations and there's a few dates that
7 collide with this, but I'm going to try to attend as best
8 I can. And, with that, I'll close.

9 THE CHAIRPERSON: Thank you, Mr. Boyd.
10 Ms. Murphy, if you want to make some opening remarks,
11 introduce the panel and then we'll move on to swearing in
12 the witnesses.

13

14 OPENING COMMENTS BY MS. MARLA MURPHY:

15 MS. MARLA MURPHY: Certainly. Thank you,
16 Mr. Chairman. Good morning, Mr. Chairman, members of the
17 Board, Board Advisors, and Intervenors. Thank you very
18 much for your comments this morning. You've made my job
19 easy in terms of walking us through the updates that have
20 been filed, and Mr. Peters has reflected those in the
21 exhibit list as we've discussed today.

22 So, I'll just take a moment to introduce
23 our panel in the back row supporting them.

24 To my immediate right is Mr. Vince Warden,
25 who is the Senior Vice President of Finance and

1 Administration and Chief Financial Officer for Centra
2 Gas.

3 To his right is Mr. Howard Stephens who is
4 Division Manager of Gas Supply.

5 And then we have Mr. Neil Kostick, so far
6 with both his eyebrows, who is the Manager of Gas Supply,
7 Transportation and Storage.

8 And, finally, Mr. Sanderson -- Brent
9 Sanderson -- who's the Manager of Gas Market Analysis and
10 Administration.

11 Behind me is my co-counsel on the far left
12 -- sorry -- is Tracy Morrison on the far left, who is the
13 Regulatory Coordinator. To her right is my co-counsel,
14 Mr. Czarnecki.

15 Then we have Mr. Barlund -- Greg Barlund -
16 - who is the Manager of Gas Rates and Regulatory.

17 To his right, Mr. Willie Derksen who's the
18 Manager of Corporate Budget Services.

19 Then we have Ms. Kristin Perault
20 (phonetic) who is the Regulatory Financial Analyst.

21 And, finally, we have Mr. Trell Sigurdson
22 (phonetic) who is the Senior Natural Gas Budget Analyst.

23 And I think I scrambled Mr. Derksen and
24 Ms. Perault as well. I swear they were in a different
25 order when I started this morning.

1 With that, I have no other comments to
2 make this morning. If I could ask that the panel be
3 sworn. We are ready for direct evidence when you are.

4 THE CHAIRPERSON: Mr. Singh...?

5

6 CENTRA GAS COST MATTERS PANEL:

7 VINCE WARDEN, Sworn

8 HOWARD STEPHENS, Sworn

9 NEIL KOSTICK, Sworn

10 BRENT SANDERSON, Sworn

11

12 THE CHAIRPERSON: Thank you, Mr. Singh.

13 Okay, Ms. Murphy, anytime you want to begin.

14

15 EXAMINATION-IN-CHIEF BY MS. MARLA MURPHY:

16 MS. MARLA MURPHY: Thank you. Mr.

17 Chairman, I should indicate for the record that the

18 witness qualifications of Mr. Warden, Mr. Stephens, Mr.

19 Kostick and Mr. Sanderson are marked as Centra's Exhibits

20 4-1 through 4-4, respectively.

21 Those witness qualifications set out the

22 positions of each of the panel members, their experience

23 and their educational qualifications, their previous

24 appearances before the Board, their areas of

25 responsibility, with respect to the Application, and

1 their adoption of the pre-filed evidence as it relates to
2 those areas of responsibility.

3 If I could begin with Mr. Warden. Mr.
4 Warden, are you familiar with the Application and
5 evidence filed on behalf of Centra Gas and the updates
6 marked as Centra Exhibit 1-3A and 3C in this proceeding?

7 MR. VINCE WARDEN: Yes, good morning, Mr.
8 Chairman, members of the Board, ladies and gentlemen.
9 Yes, I am familiar with the Application and the evidence
10 filed on behalf of Centra.

11 MS. MARLA MURPHY: And was that evidence
12 prepared under your direction and control?

13 MR. VINCE WARDEN: Yes. Yes, it was.

14 MS. MARLA MURPHY: Mr. Warden, on May --
15 May 29th and June 1st, Centra file Exhibits 3A and 3C, an
16 update to its Application reflecting changes in the
17 proposed implementation of Centra's non-gas revenue
18 increases and updating some of the inputs to its
19 projections.

20 Would you please describe those updates?

21 MR. VINCE WARDEN: Yes. As a result of
22 significantly colder-than-normal weather over the winter
23 of 2008/'09, Centra's net income for the fiscal year end
24 in March 31st, 2009 was well above what was forecast in
25 the Fall of 2008.

1 While Centra's 2008/'09 financial results
2 are still subject to audit, we are expecting that net
3 income will be approximately \$9 million for the year,
4 some \$6 million higher than the \$3 million of net income
5 projected in the fall of last year. The higher-than-
6 forecast net income will make it possible for Centra to
7 delay the proposed implementation of the non-gas rate
8 increase from the proposed date of May the 1st, 2009, to
9 February the 1st, 2010.

10 In conjunction with updating this
11 application to reflect the higher net income, Centra is
12 also proposing to take this opportunity to incorporate
13 additional revisions to the application as follows.

14 First, as we are all aware, global
15 economies are in financial crisis. One (1) of the many
16 consequences of this has been an unprecedented drop in
17 interest and borrowing rates, whereas Centra had
18 forecasted that the cost of short-term borrowing for
19 2008/'09 would be 4.5 percent, including the debt
20 guarantee fee, actual rates for 2008/'09 were
21 approximately 2.9 percent.

22 Similarly, for 2009/'10 and 2010/'11
23 short-term rates were previously projected to be 5.05 and
24 5.06 percent. Those rates are -- projected rates have
25 now dropped to 1.9 percent and 3 percent, respectively.

1 These reductions in projected borrowing
2 rates, reductions of close to three hundred (300) basis
3 points, are not a reflection of Centra's forecasting
4 methodology, but rather a reflection of the extraordinary
5 events taking place in the world around us. Clear
6 evidence of this is the drop in the Bank of Canada policy
7 rate which has dropped by three hundred and seventy-five
8 (375) basis points since January 2008.

9 Given the significance of the change in
10 borrowing costs, Centra incorporated the associated cost
11 reductions in its Application -- in its updated
12 Application.

13 Another change that Centra has
14 incorporated in its updated application is to remove from
15 the test years expenditures related to Advanced Metering
16 Infrastructure Project or AMI. Capital expenditures of
17 \$3.7 per year were originally planned for 2009/'10 and
18 '10/'11, but it is now projected that these expenditures
19 will be deferred for at least another two (2) years.

20 It was also recognized, subsequent to our
21 initial filing, that a contribution towards the upgrade
22 of the Brandon pipeline project will offset the capital
23 costs of 5.5 million included in Centra's capital
24 expenditure forecast.

25 And finally, Centra has included a

1 provision of \$5 million in the 10/'11 test year to
2 recognize IFRS related accounting changes and other risks
3 which may impact that year.

4 MS. MARLA MURPHY: Mr. Warden, is the
5 evidence filed as Centra Exhibits 1, 3A, and 3C true to
6 the best of your information and belief?

7 MR. VINCE WARDEN: Yes.

8 MS. MARLA MURPHY: And, Mr. Warden, do
9 you adopt that evidence on behalf of Centra?

10 MR. VINCE WARDEN: Yes, I do.

11 MS. MARLA MURPHY: Given the updates
12 which you've just summarized, would you please outline
13 what Centra is now seeking in this Application?

14 MR. VINCE WARDEN: Yes, in its updated
15 Application Centra is seeking the following:

16 An approximate 1 percent in overall
17 revenue, effective February the 1st, 2010, sufficient to
18 generate additional revenue of 1.7 million in the
19 2009/'10 test year and \$3 million in net income in that
20 year.

21 Number 2. A further approximate increase
22 of 1 percent in overall revenue requirement -- in overall
23 revenue, effective May the 1st, 2010, sufficient to
24 generate additional revenue of 5.9 million in the
25 2010/'11 test year, and \$3 million of net income in that

1 year.

2 Number 3. Changes in rates effective
3 August the 1st, 2009, to reflect the recovery of 9.5
4 million of accumulated non-primary gas PGVA and other gas
5 cost deferred balances.

6 And Number 4, a decrease in non-primary
7 gas costs of approximately 6.2 million for the 2009
8 fiscal year -- '09/'10 fiscal year.

9 MS. MARLA MURPHY: Mr. Warden, can you
10 please outline for the Board why you view Centra's
11 proposed rate increases as reasonable?

12 MR. VINCE WARDEN: The mandate of Centra
13 Gas is to acquire, manage, and distribute supplies of
14 natural gas to meet the requirements of Manitoba
15 consumers in a safe, reliable, cost-effective, and
16 environmentally responsible manner. In fulfilling this
17 mandate Centra considers the financial and other risks of
18 the Utility and strives to maintain a capital structure
19 or level of retained earnings that is sufficient to meet
20 those risks.

21 Centra believes that its request for a 1
22 percent rate increase in each of the test years is
23 relatively modest -- relatively modest in the current
24 circumstances, and that its Application represents the
25 appropriate balance between financial integrity for the

1 Utility and customer sensitivity.

2 MS. MARLA MURPHY: Mr. Warden, would you
3 please outline your areas of responsibility, with respect
4 to this Cost of Gas Panel?

5 MR. VINCE WARDEN: My area of
6 responsibility with respect to the Cost of Gas Panel is
7 to address any policy issues that may arise.

8 MS. MARLA MURPHY: And could you please
9 update the Board with respect to the status of Centra's
10 plans for supply of the primary gas, commencing on
11 November 1st, 2009?

12 MR. VINCE WARDEN: Centra is presently
13 completing the RFP process to engage a new supplier for
14 primary gas, effective November the 1st, 2009. It is
15 expected that a new contract will be reviewed by Centra's
16 board later this month. If approved by Centra's board
17 the contract will be filed with the PUB following
18 execution by the parties.

19 MS. MARLA MURPHY: Finally, Mr. Warden,
20 could you please provide the Board with an update on
21 Centra's hedging activities?

22 MR. VINCE WARDEN: Yes, in accordance
23 with its derivatives hedging policy Centra has hedged 100
24 percent of eligible volumes for the ensuing three
25 quarters up to and including the month of January 2010.

1 However, in April 2009 at the normal time of placing
2 hedges for the months of February, March, and April 2010,
3 it was determined that the volumes hedge would be limited
4 to 50 percent of eligible volumes only.

5 Hedging less than 100 percent of eligible
6 volumes is in accordance with the derivatives hedging
7 policy, if approved by the Executive Committee of
8 Manitoba Hydro. The Executive Committee decided to limit
9 hedging to 50 percent of eligible volumes out of concern
10 that the existing practice was resulting in significant
11 increases or additions to -- to gas costs. Hedging at 50
12 percent of eligible volumes will provide a more balanced
13 approach towards price protection and the risk of further
14 large additions to gas costs.

15 MS. MARLA MURPHY: Thank you, Mr. Warden.

16 Mr. Stevens, would you please outline your
17 areas of responsibility, with respect to this
18 application.

19 MR. HOWARD STEPHENS: I'm sorry, I'm out
20 of practice.

21 Good morning , Mr. Chairman, Members of
22 the Board, ladies and gentlemen. In my testimony I will
23 be providing evidence with respect to Centra's gas
24 supply, storage, and transportation arrangements, and the
25 capacity management program, and I guess, to a certain

1 extent, our price management program.

2 MS. MARLA MURPHY: Mr. Stephens, could
3 you please provide the Board with a brief update on the
4 recent TCPL regulatory proceedings and the impact of
5 those proceedings on Centra?

6 MR. HOWARD STEPHENS: Certainly. In 2007
7 TCPL entered into a multi-year negotiated mainline
8 settlement, which is referred to as "the settlement,"
9 with shippers effective January 1st, 2007, and ending
10 December 31st, 2011.

11 The National Energy Board, the NEB,
12 approved the settlement on May 31st, 2007. On December
13 4th, 2007, TCPL's application for 2008 interim mainline
14 tolls was approved by the NEB at a dollar nine (\$1.09)
15 per Gj per day Eastern Zone total. So that is the full
16 total from Alberta to Ontario at which our rate is about
17 30 percent.

18 Interim tolls were effect January 1st,
19 2008, and represented an increase from the dollar three
20 (\$1.03) per Gj per day, final EZT, Eastern Zone total,
21 for 2007.

22 Due to tolling changes as outlined in
23 Section 6.2 of the Application, anticipated increases in
24 the TCPL toll will represent a \$4.1 million increase for
25 the forecast period from November 1, 2008, to October

1 31st, 2009, relative to tolls incorporated into Centra's
2 2007/'08 and 2008/'09 General Rate Application in June of
3 2007.

4 Centra has undertaken a number of
5 portfolio changes to mitigate the impact of these higher
6 TCPL tolls, as Mr. Kostick will discuss in his direct
7 evidence, the impact of which is forecasted and
8 offsetting reduction in transportation tolls for the 2008
9 gas year of approximately \$5.7 million.

10 MS. MARLA MURPHY: Thank you, Mr.
11 Stephens. Mr. Kostick, would you please outline your
12 areas of responsibility, with respect to this
13 Application?

14 MR. NEIL KOSTICK: Good morning, Mr.
15 Chairman, members of the Board, ladies and gentleman. In
16 my testimony I will be providing evidence with respect to
17 Centra's gas supply stored and transportation
18 arrangements and the Capacity Management Program and its
19 results.

20 MS. MARLA MURPHY: Mr. Kostick, have
21 there been changes to Centra's gas supply storage and
22 transportation arrangements since Centra's 2007/'08 and
23 '08/'09 General Rate Application reflected in this
24 Application?

25 MR. NEIL KOSTICK: Yes, there have been

1 some notable changes to Centra's gas supply,
2 transportation and storage arrangements since Centra's
3 2007/'08 and 2008/'09 GRA.

4 Centra has reduced its TCPL daily contract
5 quantity to the Manitoba delivery area from 200,000
6 gigajoules per day to 160,000 gigajoules per day.
7 primarily in response to a trend of declining load in
8 Manitoba. Centra has also entered into a firm
9 transportation agreement with a counterparty to deliver
10 20,000 gigajoules per day of primary gas from Empress to
11 Manitoba on the TCPL system.

12 The agreement provides transportation for
13 eight (8) months, from November 1st, '08 through May
14 31st, '09 and October '09 -- October 1st, 2009 to October
15 31st, 2009 at a discount to approve tolls. The resulting
16 firm capacity to transport primary gas to the -- to the
17 MDA is 180,000 gigajoules per day for eight (8) months,
18 and 160,000 gigajoules per day for four (4) months, that
19 being June 1st, 2009 to September 30th, 2009. Centra is
20 thus able to avoid four (4) months of TCPL demand charges
21 for 20,000 gigajoules per day.

22 Centra was also able to make use of TCPL's
23 tolling structure to segment its TCPL contract path
24 through Welwyn to the MDA. This resulted in lower tolls
25 for the transportation path from Empress to the MDA for

1 the benefit of Centra's customers.

2 The availability of the Welwyn
3 Segmentation Tolling Advantage has since been addressed
4 by TCPL and will no longer be available to Centra, as of
5 November 1st, 2009.

6 The impact of the transportation portfolio
7 adjustments above -- described above -- is a forecasted
8 reduction in transportation costs for the 2008/'09 gas
9 year of approximately \$5.7 million. As Mr. Warden has
10 outlined, Centra is negotiating a new primary gas supply
11 contract.

12 MS. MARLA MURPHY: Mr. Kostick, have
13 there been any changes to Centra's Capacity Management
14 Program since the 2007/'08 and '09/'09 GRA?

15 MR. NEIL KOSTICK: There have been no
16 changes to Centra's Capacity Management Program since the
17 last GRA. Centra filed its Capacity Management Business
18 Plan, as directed by the PUB, as Attachment 3 to Tab 12
19 of Centra's Application.

20 MS. MARLA MURPHY: Mr. Kostick, could you
21 please detail the amounts included in this Application
22 arising from Centra's Capacity Management Program?

23 MR. NEIL KOSTICK: For the 2007/'08
24 fiscal year actual capacity management revenues,
25 excluding carrying costs, total \$8.2 million, as shown on

1 Schedule 7.3.1. The particulars of the types of
2 transactions and the revenues generated were corrected in
3 the response to CAC/MSOS/CENTRA-60C.

4 For the 2008/'09 gas year incorporated in
5 this Application, Centra has forecast capacity management
6 revenues at \$6.8 million, excluding carrying costs, based
7 on the five (5) year rolling average of Centra's actual
8 capacity management results.

9 These forecast amounts have been included
10 on Schedule 8.3 -- pardon me, 8.1.3A, line 58.

11 MS. MARLA MURPHY: Mr. Kostick, Mr.
12 Stauff suggests in his evidence that Centra should engage
13 in preliminary discussions with potential asset managers
14 to determine whether an asset management arrangement
15 would be more beneficial than Centra's current approach.

16 Would you please comment on Mr. Stauff's
17 recommendation.

18 MR. NEIL KOSTICK: Yes, as Centra noted
19 in its rebuttal evidence, as part of its Capacity
20 Management Program, Centra regularly discusses different
21 types of transactions and arrangements with its
22 counterparties.

23 Centra has also engaged in discussions
24 with counterparties that have expressed interest in
25 managing Centra storage or providing related marketing

1 services. However, the volume uncertainty associated with
2 serving Centra's highly weather sensitive market
3 discourages these marketers from pursuing further
4 discussions with Centra.

5 Once marketers become familiar with
6 Centra's portfolio market and the transactions it already
7 engages in, no further discussions are pursued.

8 MS. MARLA MURPHY: Could you also comment
9 on Mr. Stauff's suggestion that Centra consider issuing
10 an RFP for asset management arrangements?

11 MR. NEIL KOSTICK: Based on Centra's
12 discussions with counterparties there is no merit in
13 issuing an RFP in respect of these matters.

14 MS. MARLA MURPHY: Thank you, Mr.
15 Kostick. Mr. Chairman, before I begin with Mr.
16 Sanderson, I might indicate that we circulated this
17 morning a rather large handout that Mr. Sanderson is
18 going to refer to in his direct, and perhaps it could be
19 marked as the next Centra exhibit which I believe would
20 be Number 6.

21 THE CHAIRPERSON: Very good.

22

23 --- EXHIBIT NO. CENTRA-6: Large handout

24

25 CONTINUED BY MS. MARLA MURPHY:

1 MS. MARLA MURPHY: Thank you. Mr.
2 Sanderson, would you please outline your areas of
3 responsibility with respect to this Application?

4 MR. BRENT SANDERSON: Certainly. Good
5 morning, Mr. Chairman, Members of the Public Utilities
6 Board, Ladies and Gentlemen. In my testimony I will be
7 providing evidence related to Centra's gas costs for the
8 period of April 1st, 2007 to October 31st, 2008, as well
9 as the related PGVA and other gas cost deferral balances
10 and derivatives hedging results for the period from April
11 1st, 2007, to October 31st, 2008.

12 I will also be providing evidence with
13 respect to Centra's gas cost forecast for its 2008/2009
14 gas year.

15 MS. MARLA MURPHY: Mr. Sanderson, Centra
16 has requested approval to dispose of balances in the non-
17 primary gas PGVAs on the gas year rather than the fiscal
18 year. Could you please elaborate on this request and
19 explain for the Board why Centra views this as a benefit
20 to customers.

21 MR. BRENT SANDERSON: Since 2001, Centra
22 has managed its deferral accounts on a fiscal year basis,
23 running from April 1st of each year to March 31st of the
24 following year. Natural gas supply arrangements and the
25 natural gas industry in general are managed on a gas year

1 basis, running from November 1st of each year to October
2 31st of the following year.

3 Centra proposes to adopt a gas year
4 reporting period for non-primary gas costs, significant -
5 - consistent with the gas year period. Centra has
6 therefore forecast the non-primary gas cost included in
7 this Application for the period from November 1st, 2008,
8 through October 31st, 2009. This forecast has been
9 updated based on the April 1st, 2009 futures price strip,
10 thus incorporating actual settled market index prices to
11 April 31st, 2009 together with forecast costs for the
12 balance of the gas year to October 31st, 2009.

13 Additionally, Centra has calculated its
14 deferral balances as October 31st, 2008, with carrying
15 costs up to and including July 31st, 2009 which is the
16 intended implementation date of the rate riders that will
17 be designed to collect those amounts from customers.

18 MS. MARLA MURPHY: Mr. Sanderson, the
19 Board and interested parties have been provided this --
20 with a handout this morning, which has been marked as
21 Centra Exhibit 6, could you please explain this Exhibit
22 to the Board?

23 MR. BRENT SANDERSON: Certainly. This
24 Exhibit provides a seventeen (17) month gas schedule that
25 demonstrates that both the fiscal year gas cost forecast

1 and the gas year gas cost forecast are based on the same
2 assumptions and the same knowledge that was available at
3 the time that they were prepared.

4 Line 61 of Exhibit 6 demonstrates that the
5 total gas cost forecast, up to October 31st, 2009, as per
6 Schedules 8.1.3 (a) and (b) are consistent. Because
7 revenue required is managed on a fiscal year basis, as
8 opposed to a gas year basis, we have also provided an
9 additional five (5) months of data in the schedule to
10 take the schedule and forecast gas costs out to March
11 31st, 2010.

12 Line 65 of Exhibit 6 shows that the total
13 forecast gas cost for April 2009 through March 2010 are
14 consistent with the figures as shown in the updated
15 schedule, 4.5.3(a).

16 MS. MARLA MURPHY: Mr. Sanderson, could
17 you please describe the benefits Centra expects will
18 arise as a result of the shift from the fiscal year to
19 the gas year in our rate applications?

20 MR. BRENT SANDERSON: Year to year swings
21 in supplemental gas PGVA residual balances are largely a
22 result of Centra having to balance customers'
23 supplemental gas billings with underlying supplemental
24 gas purchases, over its operational gas year from
25 November through October, while managing its gas cost

1 deferral accounts over a fiscal year period, running from
2 April through March. This has and does contribute to
3 large year-to-year swings in prior period gas cost
4 deferral balances, which Centra brings forward at each
5 regulatory proceeding for subsequent disposition.

6 The requested change will, all else being
7 equal, serve to reduce the absolute magnitude of non-
8 primary gas, prior period gas cost deferral balances
9 brought forward for disposition at each regulatory
10 proceeding, as well as the year-over-year changes in
11 these amounts. The net effect for customers will be more
12 stable and less volatile non-primary gas rates.

13 MS. MARLA MURPHY: Mr. Sanderson, with
14 respect to the request for final approval of gas costs
15 for the period from April 1st, 2007, to October 31st,
16 2008, could you please provide the Board with the actual
17 gas cost for which Centra is seeking approval?

18 MR. BRENT SANDERSON: Centra's request
19 for final approval of gas costs for the period April 1st,
20 2007, through March 31st, 2008, is detailed in Schedule
21 7.0.0, which identifies that final gas costs for that
22 fiscal year period were in the amount of \$400.6 million.
23 Centra is also requesting final approval of gas costs for
24 the stub period from April 1st, 2008, through October
25 31st, 2008, as shown on Schedule 7.5.0, in the amount of

1 \$123.7 million.

2 MS. MARLA MURPHY: Mr. Sanderson, would
3 you please outline the PGVA and other gas cost deferral
4 balances for which Centra is seeking approval?

5 MR. BRENT SANDERSON: Centra is
6 requesting final approval of all non-primary gas PGVA and
7 gas cost deferral balances for the period April 1st,
8 2007, to March 31st, 2008, in the amount of \$18.9 million
9 recoverable from customers and conversely owing to
10 Centra.

11 Centra is also requesting final approval
12 of all non-primary gas PGVA and gas cost deferral
13 balances for the stub period from April 1st, 2008, to
14 October 31st, 2008, in the amount of \$10 million owing to
15 customers. With carrying costs to July 31st, 2009, the
16 total amount owing to Centra is approximately \$9.5
17 million.

18 MS. MARLA MURPHY: And finally, Mr.
19 Sanderson, would you please outline the 2008/'09 gas year
20 costs for which Centra is seeking approval?

21 MR. BRENT SANDERSON: Centra's forecast
22 gas costs for the 2008/2009 gas year included a futures
23 price strip as of April 1st, 2009. The resulting gas
24 costs forecast for the 2008/2009 gas year is \$395.9
25 million, as per updated Schedule 8.1.3(a). This includes

1 a forecast addition to gas costs of \$87.2 million as a
2 result of Centra's derivatives hedging activities for the
3 2008/'09 gas year.

4 Of the \$395.9 million gas costs forecast
5 for 2008/2009, approximately \$57 million is non-primary
6 gas costs. This amount represents a decrease of
7 approximately \$6.2 million, as compared to the non-
8 primary gas costs that would otherwise be recovered with
9 existing rates, as shown on updated schedule, 8.1.4.

10 MS. MARLA MURPHY: Thank you, Mr.
11 Sanderson.

12 Mr. Chairman, that concludes the direct
13 evidence of the panel and they are available for cross-
14 examination.

15 THE CHAIRPERSON: Well, we might as well
16 get right into it. Mr. Peters...?

17

18 CROSS-EXAMINATION BY MR. BOB PETERS:

19 MR. BOB PETERS: Yes, thank you, Mr.
20 Chairman.

21 Good morning, panel. And, Mr. Warden, as
22 senior representative on the panel you will know and you
23 can advise your colleagues that my questions are for the
24 panel and anybody can respond. And I think it's fair to
25 say that the questions that I pose are for Centra to

1 answer. If I mistakenly use the word "you," Y-O-U,
2 please understand I'm looking for a response on behalf of
3 Centra and not your personal views. Would that be
4 acceptable, sir?

5 MR. VINCE WARDEN: Yes.

6 MR. BOB PETERS: And would it also be
7 understood, Mr. Warden, that Centra bears the onus to
8 prove its case to this Board that its rates and rate
9 increases are just and reasonable and prudent for
10 consumers?

11 MR. VINCE WARDEN: Yes, we agree with
12 that.

13 MR. BOB PETERS: And you told Ms. Murphy
14 that the information was prepared under your supervision
15 and direction, So I take it you didn't take last Friday
16 off, because if you did, you missed a lot. You're aware
17 of all of the updates that we've talked -- that have been
18 filed?

19 MR. VINCE WARDEN: Yes, I am.

20 MR. BOB PETERS: I would like to start,
21 Mr. Warden, with you on some reviewing of the application
22 found at Tab 1 of PUB Exhibit 11. And PUB Exhibit 11 is
23 a two (2) volume set of a book of documents. It was
24 compiled in two (2) volumes for ease of handling, but the
25 numbers are sequential, so I think we'll be fine.

1 In Tab 1 of the book of documents, Mr.
2 Warden, you'll find the original application that was
3 filed back in January of 2009. And you've located that?

4 MR. VINCE WARDEN: Yes, I have.

5 MR. BOB PETERS: I marked mine up, and
6 I'm going to encourage the Board to mark theirs up with
7 the answers that you give the Board. And I understood
8 from your questions to Ms. Murphy -- your answers to Ms.
9 Murphy, that you used the words, "Approximately a 1
10 percent rate increase in each of the two (2) test years,"
11 correct?

12 MR. VINCE WARDEN: Correct.

13 MR. BOB PETERS: To be more precise on
14 that, Mr. Warden, would the first test year approval for
15 non-gas costs be .36 percent, or did you ever calculate
16 it down to that precision?

17 MR. VINCE WARDEN: Are you speaking, Mr.
18 Peters, on an annualized basis?

19 MR. BOB PETERS: I am, sir, yes.

20 MR. VINCE WARDEN: No, I did not
21 calculate that, but point three six (.36), we can -- we
22 can -- we can accept that, subject to check.

23 MR. BOB PETERS: Okay. And you wanted
24 the -- so -- so you're seeking approval of an approximate
25 .36 percent rate increase on an annualized basis,

1 effective February 1st, 2010?

2 MR. VINCE WARDEN: Yes.

3 MR. BOB PETERS: And that would be
4 sufficient to generate additional annual revenue of 1.7
5 million?

6 MR. VINCE WARDEN: No. It would be 1.7
7 million for that year.

8 MR. BOB PETERS: Okay. I'm -- I'm --

9 MR. VINCE WARDEN: We -- we're --

10 MR. BOB PETERS: -- I think we're talking
11 the same thing, Mr. Warden, or maybe I'm misusing the
12 words. And -- what -- what I'm wanting to be clear
13 about, as we start, is that the rate increase that Centra
14 is now requesting of the Board would, on an annual basis,
15 recover \$1.7 million, but you're only going to put it in
16 for the last two months of the fiscal year?

17 MR. VINCE WARDEN: Yeah -- no, Mr.
18 Peters. That isn't clear -- or it is not correct. And
19 perhaps that's why we didn't calculate the -- or
20 calculate the annualized rate increase, because it's not
21 really relevant.

22 We are requesting that an -- an
23 approximate 1 percent rate increase be implemented
24 February the 1st, 2010. That 1 percent will become part
25 of the base going forward, and therefore, on an

1 annualized basis will amount to some \$6 -- \$6 1/2
2 million.

3

4

(BRIEF PAUSE)

5

6 MR. BOB PETERS: Do I take from that
7 answer, Mr. Warden, that in the months of February 2010,
8 and March 2010, Centra is expecting \$1.7 million of
9 additional revenue in those two (2) months from the rate
10 increase?

11 MR. VINCE WARDEN: That is correct, yes.

12

13

(BRIEF PAUSE)

14

15 MR. BOB PETERS: To recover the \$6 to \$6
16 1/2 million on an annual basis, Mr. Warden, the rate
17 increase number that you use for February 1st, 2010, will
18 have to be then be changed at the end of the year.

19 MR. VINCE WARDEN: No. No, that becomes
20 imbedded in -- in the base rates going forward, so the
21 approximate 1 percent that's implemented on February the
22 1st, 2010, will stay in place for the subsequent fiscal
23 year and will generate additional revenue as I mentioned,
24 in the order of magnitude of \$6 to \$6 1/2 million per
25 year, depending of course on what the gas -- primary gas

1 rates are at that point in time.

2 MR. BOB PETERS: Included in -- included
3 in the request of the Company will be sufficient of a
4 rate increase, that on a normal basis the Company will
5 earn approximately \$3 million of net income for the
6 2009/'10 fiscal year?

7 MR. VINCE WARDEN: That is the objective,
8 yes.

9

10 (BRIEF PAUSE)

11

12 MR. BOB PETERS: So in the -- I'll --
13 I'll come back to that when I look at some documents, Mr.
14 Warden, because I -- I may need some further
15 clarification and hopefully we'll assist the Board. But
16 when we go to the application to Point Number D, 1D, the
17 further approval that you're seeking for the second test
18 year, again would only be approximately 1 percent,
19 because it would have embedded the previous 1 percent
20 rate increase from the current fiscal year?

21 MR. VINCE WARDEN: Well, it -- it would
22 be approximately 1 percent, but it's not related to the
23 previous 1 percent actually.

24 MR. BOB PETERS: No, but in terms of it
25 generating additional revenues from what's presently in

1 rates, you're going to build on the first test year in
2 the second test year?

3 MR. VINCE WARDEN: Well, that is correct.
4 So everything else being equal if -- if the rate
5 increases do end up to be exactly 1 percent, then there
6 will be 2 percent embedded in rates on May the 1st, 2010.

7 MR. BOB PETERS: Could I ask -- probably
8 a record from my earliest undertaking request of the
9 witnesses, but to calculate the exact percentage increase
10 for each test year for the non-gas cost increases?

11

12 (BRIEF PAUSE)

13

14 MR. VINCE WARDEN: Mr. Peters, I'm not
15 totally clear on your question. The reason we've
16 expressed this as an approximate 1 percent rate increase
17 is because we don't know what gas costs will be on
18 February the 1st, 2010, or May the 1st, 2010, and it
19 depends on primary gas rates at that time.

20 What we're intending to do is to generate
21 1.7 million of additional revenue in the -- in the test
22 year 2009/'10 and 5.9 million of additional revenue in
23 the second test year. So the rate increase that we would
24 apply at that point in time will be approximately 1
25 percent, but we don't know exactly until we arrive at

1 that date. So hence the -- the reference to approximate.
2 It might be 1.2 percent, it might be .7 percent, but it
3 really depends on gas prices in base rates -- in primary
4 gas rates at that -- at that point in time.

5 So the amount that remains fixed is the
6 additional revenue of 1.7 million in the first test year
7 and 5.9 million in the second test year. Or, if you want
8 to look at the second test year on a cumulative basis,
9 it's \$11.8 million in the second test year. Those are
10 the numbers that we are seeking approval for and the rate
11 increase will be adjusted to generate those additional
12 revenues in each of those years.

13 MR. BOB PETERS: I appreciate that answer
14 and the information you provided. To be clear, the \$1.7
15 million of additional revenue in 2009/'10 is forecast to
16 come all in two (2) months, that is in the months of
17 February and March 2010?

18 MR. VINCE WARDEN: Correct.

19 MR. BOB PETERS: And the \$5.9 million of
20 additional revenue in the second test year of 2010/'11
21 will come over twelve (12) months. That's the \$5.9
22 million?

23 MR. VINCE WARDEN: Well, the rate
24 increase is effective May the 1st, 2010, so the amounts
25 of 5.9 million will be realized over eleven (11) months,

1 rather than twelve (12).

2 MR. BOB PETERS: Yes, correct. I -- I
3 overlooked the implementation date, thank you.

4

5 (BRIEF PAUSE)

6

7 MR. BOB PETERS: A point that I don't
8 want to bog down on, Mr. Warden, is that in the initial
9 application, .1(a), there was a projected annual
10 additional revenue of 6 1/2 million initially, that was
11 subsequently revised as a result of recalculation of
12 demand charges.

13 Is that correct?

14

15 (BRIEF PAUSE)

16

17 MR. VINCE WARDEN: You're talking, Mr.
18 Peters, about a revision, prior to the update?

19 MR. BOB PETERS: Yes, I think it was
20 actually implemented on the May 5th -- with the May 5th
21 update, Mr. Warden.

22 MR. VINCE WARDEN: Yes, I'm informed that
23 because of a change in our load forecast that number, had
24 we not changed up -- or updated our Application, would
25 have been 5.5 million rather than 6.5 million.

1 MR. BOB PETERS: Mr. Warden, this might
2 be an opportune time that we review Tab 2 of the book of
3 documents, and particularly there was a relatively recent
4 handout and it was simply -- Mr. Chairman, I believe it's
5 inserted in the Board's copies of the book of documents.
6 In the top right hand it's "PUB Counsel Select Hearing
7 Documents, Tab 2". It's -- it's a revision done, based
8 on the May 29th information, and if you don't have a copy
9 I have extras.

10 MS. MARLA MURPHY: Sorry, Mr. Peters,
11 just give me a reference again.

12 MR. BOB PETERS: It was sent
13 electronically, Ms. Murphy, amongst many emails that were
14 flying back and forth and it was -- it was an update or a
15 revision on Tab 2.

16 MS. MARLA MURPHY: Yeah, I don't think we
17 have a copy of that. Maybe you could provide for us.

18

19 (BRIEF PAUSE)

20

21 CONTINUED BY MR. BOB PETERS:

22 MR. BOB PETERS: Mr. Warden, I'm just
23 going to let you finish checking my numbers.

24

25 (BRIEF PAUSE)

1 MR. VINCE WARDEN: I think we're ready
2 when you are, Mr. Peters.

3 MR. BOB PETERS: You had a brief
4 opportunity and I apologize if it's brief, but please
5 take your time as we go through this.

6 I want to look at the column number 3 that
7 is labelled "May 29th Update," and when we compare that
8 column to what this Board last approved in Order 99/'07,
9 that was at the last GRA that the last approved
10 information came from.

11 Is that correct?

12 MR. VINCE WARDEN: Yes.

13 MR. BOB PETERS: And we can see on the
14 cost of gas there's a significant change -- an \$88
15 million change. A lot of that number includes primary
16 gas and we'll get to that, okay?

17 MR. VINCE WARDEN: Yes.

18 MR. BOB PETERS: Then we look inside.
19 The changes of other income has actually increased in
20 this Application, because it hasn't -- you haven't
21 received as much other income as you normally would to
22 offset your -- your expenses, and that's eighty-nine
23 thousand dollars (\$89,000), sir?

24 MR. VINCE WARDEN: Yes.

25 MR. BOB PETERS: And operating and

1 administrative expenses for the first test year have
2 increased \$1.16 million.

3 MR. VINCE WARDEN: Correct.

4 MR. BOB PETERS: And we see the largest
5 increase in non-gas costs is for depreciation and
6 amortization of \$5 million, correct?

7 MR. VINCE WARDEN: Yes.

8 MR. BOB PETERS: And we'll come to that,
9 but that is -- includes a -- an accounting change, if you
10 will, since this Board last heard from Centra.

11 MR. VINCE WARDEN: Yes.

12 MR. BOB PETERS: At least last heard from
13 Centra at a GRA.

14 MR. VINCE WARDEN: Correct.

15 MR. BOB PETERS: And the next line, Item
16 11, we see the Furnace Replacement Program, which was
17 funded for two (2) years. It's not proposed to be funded
18 any more, so there's a reduction of \$3.855 million shown
19 on this schedule.

20 MR. VINCE WARDEN: Yes.

21 MR. BOB PETERS: Capital and other taxes
22 have gone up six hundred and thirty-eight thousand
23 dollars (\$638,000), sir?

24 MR. VINCE WARDEN: Yes.

25 MR. BOB PETERS: And from where the Board

1 last approved Centra's finance expense, it has actually
2 come down \$1.16 million.

3 MR. VINCE WARDEN: Correct.

4 MR. BOB PETERS: Compared to what you
5 were seeking in your May 5 or May 6 update, it's come
6 down over \$3 million.

7 MR. VINCE WARDEN: That's correct.

8 MR. BOB PETERS: All right. Because Mr.
9 Saxberg, I think, used some numbers in his opening
10 comments, and we want to make sure the Board can tie
11 those together.

12 We then see on line 14 a provision for
13 accounting and other changes, and we see that in the
14 first test year there is no provision for accounting and
15 other changes.

16 That's correct, sir?

17 MR. VINCE WARDEN: Yes.

18 MR. BOB PETERS: And you mentioned in
19 your comments to Ms. Murphy that you were, in accordance
20 with the Company's determined prudence, inserting a \$5
21 million provision in the second test year and you
22 directly tied that to IFRS.

23 MR. VINCE WARDEN: I did reference IFRS.
24 This would not be solely due to IFRS though. It's for
25 IFRS and other risks that Centra would face.

1 MR. BOB PETERS: All right. With that
2 teaser we'll keep the Board waiting for the Revenue
3 Requirement Panel, and we'll come to specifics on that.

4 The corporate allocation is \$12 million
5 and that remains unchanged in both the first and the
6 second test year?

7 MR. VINCE WARDEN: Yes.

8 MR. BOB PETERS: And then we get to net
9 income, and the forecast in the current fiscal year of
10 '09/'10 is 2.8 million and approximately the same amount
11 for the second test year?

12 MR. VINCE WARDEN: Yes.

13 MR. BOB PETERS: Now, in the first test
14 year, 2009/'10, Mr. Warden, looking at this Tab 2 of the
15 book of documents and this insertion, the PUB advisors
16 net out the non-gas cost -- costs to have increased \$2.2
17 million.

18 Will you accept those numbers, subject to
19 any check?

20 MR. VINCE WARDEN: Yes, I do.

21 MR. BOB PETERS: And that sounds
22 approximately correct to you?

23 MR. VINCE WARDEN: Yes.

24 MR. BOB PETERS: And even though the non-
25 gas costs have gone up \$2.2 million, your non-gas revenue

1 deficiencies shown in line 26 is only \$1.685 million,
2 correct?

3 MR. VINCE WARDEN: Yes, that is correct.

4 MR. BOB PETERS: And the difference
5 between the non-gas costs in the red box, of 2.2 million,
6 and the non-gas revenue deficiency, of approximately 1.7
7 million, again relates to the updated volumes and the
8 additional revenues that -- that will come as a result of
9 the load forecast that the Corporation has done.

10 MR. VINCE WARDEN: Yes.

11 MR. BOB PETERS: All right. So when the
12 Board -- when you mentioned \$1.7 million of additional
13 revenue in 2009/'10, that's the entire fiscal year non-
14 gas revenue deficiency, sir?

15

16 (BRIEF PAUSE)

17

18 MR. VINCE WARDEN: I'm hesitating to
19 label it a revenue deficiency. It is the -- the amount
20 of additional revenue that Centra is seeking to -- in
21 order to meet a bottom line of approximately \$3 million.
22 So in order to achieve a \$3 million -- or as indicated
23 here, two eight six nine (2869) net income -- in order to
24 achieve that level of net income, \$1.685 million of
25 additional revenue is required, and in that context it's

1 -- it's a revenue deficiency.

2 MR. BOB PETERS: Were you reluctant to
3 call it a revenue deficiency because it flows to net
4 income? Because that -- that amount really will be part
5 of the net income if -- if it's a normal weather year?

6 MR. VINCE WARDEN: It will form part of
7 net income, yes.

8 MR. BOB PETERS: Well, in fact it would
9 be -- it would be -- 100 percent of that \$1.7 million
10 will flow to net income in the first test year.

11 MR. VINCE WARDEN: That's the intent,
12 yes.

13 MR. BOB PETERS: All right. And -- and
14 while that \$1.7 million, which is labelled on line 26 as
15 a non-gas revenue deficiency occurs over the entire
16 fiscal year, you're telling the Board that you want to
17 recover that \$1.7 million in two (2) months -- the last
18 two (2) months of fiscal 2010?

19 MR. VINCE WARDEN: Yes.

20

21 (BRIEF PAUSE)

22

23 MR. BOB PETERS: Mr. Warden, wouldn't the
24 rate increase in number be smaller if the rate increase
25 went in earlier, because there would be additional

1 volumes against which the new rates would be applied?

2 MR. VINCE WARDEN: The objective is to
3 achieve, on an annualized basis, a higher level of
4 additional revenue than what is represented in those two
5 (2) months.

6 So the objective is not necessarily to
7 achieve one point six eight five (1.685) over -- in an
8 annualized basis. It -- that's what falls out of a 1
9 percent -- an approximate 1 percent rate increase for a
10 two (2) month period.

11

12

13 (BRIEF PAUSE)

14

15 MR. BOB PETERS: My confusion, and I may
16 get it clarified at the coffee break, is that I -- I'm
17 not sure I -- I agree with your last answer, Mr. Warden,
18 frankly. I saw the \$1.7 million as being Centra's
19 revenue deficiency or the requested additional revenues
20 for a fiscal year, that -- that -- that was because of
21 expenses that are forecast in the '09/'10 year to be 1.7
22 -- actually \$2.2 million higher, but at existing rates
23 you still be short \$1.7 million over the twelve (12)
24 month period.

25

And I'm thinking that if you -- if you are

1 only going to recover that one point seven (1.7) in a two
2 month period, you're going to need a much larger rate
3 increase than if you recovered it over a -- over a longer
4 period.

5 And I think intuitively you'd agree with
6 me, if my numbers are right.

7 THE CHAIRPERSON: But then they would be
8 short in the next year.

9 MR. VINCE WARDEN: Exactly.

10

11 CONTINUED BY MR. BOB PETERS:

12 MR. BOB PETERS: Well, but if you're
13 going to be short in the next year, Mr. Warden, you won't
14 be short for the fiscal '09/'10 year, because as long as
15 you get your \$1.7 million you will have covered off all
16 of your costs and received \$3 million of net income under
17 normal weather.

18 Isn't that correct?

19 MR. VINCE WARDEN: Well, we -- we are
20 attempting to recover \$1.7 million in order to achieve
21 net income of \$3 million in '09/'10. However, as the
22 Chairman pointed out, we are not only considering the
23 '09/'10 test year, we're considering the two (2) test
24 years together. And we require that 1 percent rate
25 increase -- app -- approximate 1 percent rate increase --

1 to be built into the base in order to recover the
2 required revenue deficiency in Year 2.

3 If we implemented a lower rate increase
4 earlier in '09/'10, then we would be faced with a higher
5 rate increase in '10/'11, in order -- in order to achieve
6 the -- the same results over that two (2) year period.

7 MR. BOB PETERS: On an annualized basis,
8 Mr. Warden, can you tell the Board how much Centra would
9 recover from the rate increase that they're intending to
10 put in on February 1st of 2010?

11 MR. VINCE WARDEN: Well, that is really
12 what was in our original Application of -- we -- we had
13 originally applied for a 1 percent rate increase,
14 effective May the 1st of 2010, which, as you pointed out
15 in Tab 1 of your book of documents in the Application,
16 would have generated, on an annualized basis, 6.5
17 million. But because of the change in the load forecast
18 that was reduced to 5.5 million, so that's the number
19 you're seeking on an annualized basis then, Mr. Peters.

20 MR. BOB PETERS: My -- my problem with
21 that answer, Mr. Warden, is that when you were seeking
22 \$5.5 million you had justified it with your -- with --
23 with these line items on PUB/CENTRA-15 found at Tab 2,
24 and then you've made some recent revisions downward, such
25 as for finance expense. And I would have thought that

1 that \$5.5 million number then came down drastically and
2 came down closer to the \$1.7 million that we now see.

3 MR. VINCE WARDEN: No. No, the -- the 1
4 -- 1 percent annualized number is applied against a -- a
5 base that is unchanged. The ba -- the revenue base to
6 which that 1 percent is applied is unaffected by the
7 change in finance expense.

8

9 (BRIEF PAUSE)

10

11 MR. BOB PETERS: Will you agree with me,
12 Mr. Warden, that the Company's revenue requirement for
13 fiscal '09/'10 is not \$5.5 million, but is only \$1.7
14 million?

15 MR. VINCE WARDEN: Yes.

16 MR. BOB PETERS: Well, if you --

17 MS. MARLA MURPHY: I think you said
18 "revenue requirement". That's the additional revenue
19 requirement.

20

21 CONTINUED BY MR. BOB PETERS:

22 MR. BOB PETERS: Ms. Murphy's correct,
23 Mr. Warden --

24 MR. VINCE WARDEN: Additional revenue
25 requirement is -- is correct.

1 MR. BOB PETERS: And -- and if -- if the
2 additional revenue requirement is only 1.7 million, if
3 you were to put that into rates for a full twelve (12)
4 month period, the rate increase would be considerably
5 lower than it would be -- would be to recover the \$5.5
6 million.

7 MR. VINCE WARDEN: Yes, but it would
8 present -- as we talked earlier, present us with a
9 problem in the second year.

10 MR. BOB PETERS: Well, but let's do one
11 (1) year at a time because you have to substantiate your
12 costs and revenues for the -- for the one (1) test year,
13 and to keep Centra whole for the 2009/'10 test year you
14 need \$1.7 million.

15 MR. VINCE WARDEN: But Mr. Peters, it is
16 -- it is a two (2) year rate application and if -- if we
17 were looking at one (1) year at a time the application
18 would look different than it does.

19 We -- we are requesting that an
20 approximate 1 percent rate increase be implemented
21 February the 1st, 2010, with the expectation that that
22 will generate revenues in the second year, the second
23 test year, of approximately \$6 million on its own, and
24 then that we are requesting a further rate increase in
25 that second test year to generate another approximate \$6

1 million.

2 So we -- we need the revenue deficiency as
3 indicated in the exhibit you just -- provided it to us.
4 The revenue deficiency that we're trying to cover in year
5 1 is 1.7 million, and the total in -- in year 2 is 11.8
6 million. In order to recover that amount of revenue
7 deficiency we require 1 percent in the base in year 1 and
8 a further 1 percent in year 2.

9 MR. BOB PETERS: All right. And maybe
10 I'm just starting to see the light that the Chairman was
11 shining at me here, but if -- if the rate increase in the
12 first test year was -- was lower, you would just simply
13 need a higher rate increase for the second test year?

14 MR. VINCE WARDEN: Yes.

15 MR. BOB PETERS: All right. And -- and
16 my calculation showed a small rate increase for the first
17 year on an annualized basis, and -- and then a 2.2
18 percent increase for the second test year on your
19 numbers.

20 But you're coming at it by putting a 1
21 percent in in February and then another 1 percent in in
22 May, three (3) months later?

23 MR. VINCE WARDEN: Yes.

24 MR. BOB PETERS: Okay. And you said in
25 your opening comments, I believe, and it might have been

1 in Ms. Murphy's letter, so you can try to distance
2 yourself from that, but it -- it was basically the
3 Company has found itself doing very well with net income
4 and as a result of that you were going to, in my words,
5 hold off some rate increases to help consumers?

6 MR. VINCE WARDEN: Yes, we never like to
7 put in a rate -- rate increase before it's needed.

8 MR. BOB PETERS: But there will be no --
9 there will be no financial benefit to consumers by your
10 holding off the rate increase because you're still going
11 to recover your full \$1.7 million in two (2) months?

12 MR. VINCE WARDEN: Well, consumers are
13 better off by having that 1 percent. The same 1 percent
14 that was contemplated to be implemented on May the 1st is
15 now being -- May the 1st of 2009, is now being
16 implemented on February the 1st, 2010, so yes, consumers
17 are better off by that difference, a difference --

18 MR. BOB PETERS: There's no -- there's no
19 financial savings to consumers though?

20 MR. VINCE WARDEN: Oh, yes. We -- as we
21 spoke earlier the -- the adjusted revenue deficiency
22 number is 5.5 million; we are now, for the 2009/'10 test
23 year, seeking one point seven (1.7).

24 MR. BOB PETERS: Is there a document you
25 can show me that now supports the 5.5 million revenue

1 deficiency or additional revenue needed for the sec --
2 for the first test year?

3 MS. MARLA MURPHY: Mr. Peters, I believe
4 you'll find that in the May 5th update. Schedule 3.0.0
5 shows you the additional revenue required of 5.5 million
6 in the first test year. It's the green sheet.

7 THE CHAIRPERSON: I think I know -- We'll
8 just take the break right now and give an opportunity --

9 MR. BOB PETERS: That will be helpful to
10 --

11 THE CHAIRPERSON: Thank you.

12 MR. BOB PETERS: -- board counsel. Thank
13 you, sir.

14

15 --- Upon recessing at 10:39 a.m.

16 --- Upon resuming at 11:02 a.m.

17

18 THE CHAIRPERSON: Okay. Mr. Peters...?

19 MR. BOB PETERS: Mr. Chairman, thank you
20 for the opportunity over recess to regroup. I only have
21 two (2) points to cover with Mr. Warden as -- before I
22 move on to cost of gas issues and I'll just afford him a
23 minute.

24

25 CONTINUED BY MR. BOB PETERS:

1 MR. BOB PETERS: Mr. Warden, before the -
2 - the morning break, we were looking at a document that
3 had been -- an additional Tab 2 document for the book of
4 documents. You've agreed with me that you need 1.7
5 million some time in fiscal '09/'10 and you need an
6 additional 11.8 million in fiscal '10/'11.

7 MR. VINCE WARDEN: Yes.

8 MR. BOB PETERS: And when I say you need,
9 that is to be your revenue deficiency to keep Centra
10 whole with approximately \$3 million of net income in each
11 of those years.

12 MR. VINCE WARDEN: Correct.

13 MR. BOB PETERS: And the point maybe
14 where we were jousting before the break was Centra's
15 position is to recover that in two (2) equal --
16 approximate equal rate increases, rather than a small one
17 now and a large one later?

18 MR. VINCE WARDEN: Yes.

19 MR. BOB PETERS: All right.

20 MR. VINCE WARDEN: And we'll come to some
21 of the specifics with your Revenue Requirement Panel, but
22 there was an item I wanted to just take you to task on at
23 this point and that was finance expense. And Ms. Murphy,
24 before the break, drew my attention to the -- the revised
25 May 6th filing which I suppose is on green paper for

1 most, and it showed a finance expense increase in the
2 first test year of \$2.5 million.

3 And that would have been in the -- you
4 would have seen that in PUB/CENTRA-15 in the attachment
5 that was revised May the 6th.

6 Do you agree with me?

7 MR. VINCE WARDEN: I do.

8 MR. BOB PETERS: And that -- what you're
9 telling the Board there is that from when they last saw
10 you and approved, in a GRA, \$22 million for finance
11 expense, you came back and said it's gone up \$2.5
12 million, based on your initial Application, correct?

13 MR. VINCE WARDEN: Yes.

14 MR. BOB PETERS: And then some good news
15 came about as Mr. Saxberg had referenced in his comments,
16 and you filed the May 29th information including what was
17 filed on -- on June 1st, and instead of finance expense
18 going up \$2.5 million it's actually gone down \$1.16
19 million.

20 MR. VINCE WARDEN: There's no doubt about
21 the numbers; I -- I'm just not sure it's good news. It's
22 because of the financial crisis around the world and I --
23 I'm -- although it's short term good news perhaps for --
24 for Centra Gas, it's probably not good news overall.

25 MR. BOB PETERS: I'll accept that. I

1 didn't mean to minimize the impact that that had. But
2 the -- the impact on consumer ratepayers is that instead
3 of a finance expense of about \$22 million that the Board
4 last approved, Centra is now seeking a finance expense
5 closer to \$20.9 million?

6 MR. VINCE WARDEN: Yes.

7 MR. BOB PETERS: All right. And if I add
8 those -- you know you thought you might come 2.5 million
9 higher; you're actually \$1.1 million lower. There's \$3.6
10 million swing on the finance expense from when your
11 application was filed.

12 MR. VINCE WARDEN: Correct.

13 MR. BOB PETERS: And I suggested that
14 that \$3.6 million contributes, in great significance, to
15 the revision from the \$5.5 million non-gas revenue
16 deficiency initially sought, down to the \$1.7 million now
17 sought.

18 Would you agree with that?

19 MR. VINCE WARDEN: It definitely
20 contributes, yes.

21 MR. BOB PETERS: You won't go so far as
22 to say significantly?

23 MR. VINCE WARDEN: Okay.

24 MR. BOB PETERS: I'm going to stop while
25 I'm ahead, Mr. Chairman. I'm going to turn to some cost

1 of gas issues, which as I understand and -- and know the
2 panel is here to speak about and --

3 MS. MARLA MURPHY: Sorry to interrupt,
4 Mr. Peters.

5 MR. BOB PETERS: Yes?

6 MS. MARLA MURPHY: Perhaps just so I
7 don't lose sight of it, I circulated just before the
8 break an update to PUB/CENTRA 13. It was on a yellow
9 sheet of paper. It was included in our filing of June
10 1st.

11 Actually, the material that was filed in
12 June 1st was an error, so this page should replace the
13 PUB/CENTRA 13 attachment that was provided yesterday. I
14 think when you get back to your book of documents you'll
15 find it at Tab 4.

16 And I'm wondering just for convenience if
17 perhaps we could have that marked as an exhibit. Or if
18 you'd prefer not to, it's fine with me as long as it gets
19 updated in the -- the filing.

20 MR. BOB PETERS: Mr. Chairman, we can
21 mark it as Centra Exhibit Number 7, but we will include
22 it in the updated filings and it will eventually get put
23 into our revised book of documents, both electronic and
24 paper.

25 THE CHAIRPERSON: Very good.

1 --- EXHIBIT NO. CENTRA-7: Update to PUB/CENTRA 13

2

3 MS. MARLA MURPHY: Thank you, Sorry to
4 interrupt.

5 MR. BOB PETERS: Not a problem.

6

7 CONTINUED BY MR. BOB PETERS:

8 MR. BOB PETERS: In turning to cost of
9 gas we heard that -- I believe, Mr. Sanderson, it was you
10 telling the Board that since 2001 cost of gas matters had
11 been certainly looked at from a deferral account basis on
12 a fiscal year basis, as opposed to a gas year basis,
13 correct?

14 MR. BRENT SANDERSON: Yes, Manitoba
15 Hydro's fiscal year period of April through March,
16 correct.

17 MR. BOB PETERS: The cost of gas --
18 sorry, the -- the gas year, as the Chairman noted in his
19 comments, is from November 1st of a year to October 31 of
20 the following calendar year?

21 MR. BRENT SANDERSON: Correct.

22 MR. BOB PETERS: Could you tell the Board
23 why -- why that's become known as the gas year? What's
24 the magic in that?

25 MR. BRENT SANDERSON: Mr. Stephens may

1 want to give us a little more of an in-depth revisit of
2 history, but it's a natural annual period. It's the
3 natural gas industry year on which it operates, and the
4 commencement of that annual period on November 1st I
5 would suspect is largely correlated with the fact that
6 that's when the winter season is accepted to have begun
7 on -- on November 1st.

8 MR. HOWARD STEPHENS: And now I -- I
9 can't remember any further back than Mr. Sanderson. It's
10 been that way since the beginning of time and I think his
11 assumption is quite correct.

12 MR. BOB PETERS: All right. And we'll be
13 -- we'll have to be careful with the -- the Boards and
14 the words we use in terms of what we're requesting, but
15 one (1) of the requests that I heard you say is: Final
16 approval of gas costs for the period April 1, 2007, to
17 March 31, 2008, correct?

18 MR. BRENT SANDERSON: That would be the
19 first part of what we're seeking final approval of. But,
20 yes, you're correct, we're seeking approval of final gas
21 costs for that period and then an additional stub period.

22 MR. BOB PETERS: All right. And -- and
23 that initial period that I've just mentioned, of April
24 1/'07 to March 31/'08, is -- it coincides with the fiscal
25 year of the Corporation?

1 MR. BRENT SANDERSON: That's correct.

2 MR. BOB PETERS: And when Centra last
3 appeared on a General Rate Application before this Board
4 those costs were forecast and now they are actually
5 known.

6 Would you agree with that?

7 MR. BRENT SANDERSON: I would agree.

8 MR. BOB PETERS: And, Mr. Sanderson --
9 sorry, Mr. Sanderson, you also mentioned that the stub
10 period is a period from April 1st of '08 until October
11 31/'08.

12 Have I got that right?

13 MR. BRENT SANDERSON: Yes, you do.

14 MR. BOB PETERS: And you know those gas
15 costs on an actual basis now, correct?

16 MR. BRENT SANDERSON: Correct.

17 MR. BOB PETERS: And the reason you're
18 asking for those to also be approved on a final basis is
19 you want to set up, as the Chairman mentioned, your gas
20 costs on a gas year basis, not a fiscal year basis?

21 MR. BRENT SANDERSON: Correct, commencing
22 with November 1st of 2008.

23 MR. BOB PETERS: But the gas costs from
24 November 1st of '08 until today, while they may be known,
25 they don't form part of your request for final approval?

1 MR. BRENT SANDERSON: No, they do not.

2 MR. BOB PETERS: But you do want November
3 1, '08 to October 31, '09 to be considered a 12-month
4 forecast period to coincide with the gas year?

5 MR. BRENT SANDERSON: Yes, sir.

6 MR. BOB PETERS: Is it correct that
7 Centra intends to ask this Board for final approval of
8 the November 1, '08, to October 31, '09, gas costs at a
9 cost of gas application perhaps to be filed in late 2009?

10 MR. BRENT SANDERSON: That is our working
11 assumption, yes.

12 MR. BOB PETERS: Is it also your working
13 assumption that in the rate increases before this Board,
14 the gas costs for November 1, '09, to October 31, 2010,
15 are assumed to be the same as those from November 1, '08,
16 to October 31, '09?

17

18 (BRIEF PAUSE)

19

20 MR. BRENT SANDERSON: Yes, for the
21 purposes of this approximately they are.

22 MR. BOB PETERS: All right. So you're --
23 and you're saying that the current gas year that we're in
24 now, you want to assume that the next gas year will have
25 the same gas costs for purposes of this application?

1 MR. BRENT SANDERSON: Correct.

2 MR. BOB PETERS: And you may change that
3 position when you come back to the Board with an
4 application in the Fall of 2009?

5 MR. BRENT SANDERSON: Correct.

6 MR. BOB PETERS: Assuming the Corporation
7 does come back in the Fall of '09 to update or finalize
8 the gas costs between November 1, '08, and October 31,
9 '09, if you come back to finalize those, as well as
10 update the forecast, you're going to ask the Board to
11 adjust rates to consumers, correct?

12 MR. BRENT SANDERSON: That would be
13 likely.

14 MR. BOB PETERS: And if there is to be
15 rate adjustments, would it be correct that you would also
16 want those to be put in place on May 1st of 2010?

17

18 (BRIEF PAUSE)

19

20 MR. BRENT SANDERSON: That's possible.
21 It would be contingent on the timing of any review
22 proceeding of that application. It could be May 1st of
23 2010. It could be August 1st. I guess it would be
24 contingent upon when the Board would be in a position to
25 grant approval for any of those rate adjustments.

1 MR. BOB PETERS: And you've also heard
2 Mr. Warden indicate that he's requesting the Board raise
3 consumer's rates on February 1st of 2010, and then three
4 months later on May 1st of 2010, correct?

5 MR. BRENT SANDERSON: Correct.

6 MR. BOB PETERS: So on May 1st of 2010
7 there may or may not be a gas cost rate adjustment
8 sought, and if not on May, it would be for August of
9 2010?

10 MR. BRENT SANDERSON: Correct.

11 MR. BOB PETERS: Okay.

12

13 (BRIEF PAUSE)

14

15 MR. BOB PETERS: If we turn to Tab 55 of
16 the book of documents -- it will be in Volume 2 of 2,
17 with the green cover.

18

19 (BRIEF PAUSE)

20

21 MR. BOB PETERS: What we see here, Mr.
22 Sanderson, is the PUB approved gas costs from Board Order
23 99/'07 in the first column. And those are measured
24 against the actual gas costs for the twelve (12) month
25 fiscal period as -- on this -- on this schedule, correct?

1 MR. BRENT SANDERSON: Correct.

2 MR. BOB PETERS: And to draw your
3 attention down to, I suppose it's line 59, the inflows --
4 the total inflows to the PGVA. There was a forecast of
5 \$406.6 million and the actual costs were four hundred
6 million six hundred thousand (400,600,000).

7 MR. BRENT SANDERSON: That's correct.

8 MR. BOB PETERS: And that's an
9 approximate \$6 million variance, and that would mean
10 there would be monies to be refunded to consumers?

11 MR. BRENT SANDERSON: Well --

12 MR. BOB PETERS: On a net basis.

13 MR. BRENT SANDERSON: A lot -- a
14 significant portion of the costs that are depicted in
15 this schedule are primary gas costs, which would have
16 been dealt with through the quarterly rate-setting
17 process. And a large part of that variance would have
18 been the result of primary gas costs being less than
19 forecast and would already have been dealt with.

20 So, there are other schedules that we
21 should look at in terms of what were the actual versus
22 forecast gas cost variances relating to non-primary gas
23 costs, which are the subject of the non-primary gas PGVAs
24 that we're here to seek disposal of.

25 MR. BOB PETERS: Thank you. And we

1 certainly will review those with the Board.

2 What you can tell the Board is that to the
3 extent that any PGVA balances from primary gas were
4 accruing to consumers or owing to Centra, those are
5 reflected quarterly in the Board's orders on primary gas
6 rates.

7 MR. BRENT SANDERSON: That's correct.

8 MR. BOB PETERS: For the stub period that
9 you have identified, Mr. Sanderson, as April 1 of 2008,
10 to October 21 of 2008, Schedule 7.5.0, which is also
11 found in Tab 55 of the book of documents, sets out the
12 forecast budget of gas costs together with the actual.

13 Is that correct?

14 MR. BRENT SANDERSON: That's correct.

15 MR. BOB PETERS: I believe you mentioned
16 in your answers to Ms. Murphy that the approval that
17 you're seeking for the stub peri -- period is 123.7
18 million, which would be found on line 59 in the middle
19 column.

20 MR. BRENT SANDERSON: Yes, that's
21 correct.

22 MR. BOB PETERS: And, again, compared to
23 what was budgeted or forecast of 128.9 million, more
24 monies were collected from consumers than were actually
25 needed to pay the costs of the gas, correct?

1 MR. BRENT SANDERSON: I wouldn't say
2 that, necessarily. What this just shows is the -- is the
3 incurrence of the costs. It makes no statement about how
4 those costs were collected as at this point in time. And
5 again, similar relationship would apply here to the stub
6 period as to the prior years fiscal period, in terms of
7 what any remaining amounts to be collected from or
8 refunded to customers, and that would be in the non-
9 primary gas PGVAs.

10 MR. BOB PETERS: Then let's turn to those
11 PGVAs at the next tab in the book of documents, Mr.
12 Sanderson, a document found at Tab 56, and it's a copy of
13 Centra Schedule 7.1.0.

14 This schedule has not been updated, has
15 it, Mr. Sanderson?

16 MR. BRENT SANDERSON: No. And there
17 would be no need to. One (1) of the benefits of moving
18 to a gas-year period to manage our deferrals is at the
19 point in time in the year when we would typically file
20 for a cost-of-gas application. Those balances would be
21 known actual and final balances and would not be --
22 require any update other than some minor potential
23 differences due to carrying cost rates to carry those
24 balances through to whatever date that the rate-riders
25 associated with disposing of these balances would come

1 into effect.

2 MR. BOB PETERS: All right. And -- and
3 this Schedule 7.1.0 is a snapshot at a point in time?

4 MR. BRENT SANDERSON: That is correct.
5 There are a number of accounts pertaining to different
6 periods, and the points in time are indicated and we
7 carry those balances forward with forecast carrying costs
8 through to July 31st of 2009, just prior to the requested
9 date of implementation of the associated rate-riders this
10 coming August 1st.

11 MR. BOB PETERS: Perhaps we can dispense
12 with line 26, the primary gas PGVA balance, rather
13 quickly. That \$1.9 million, almost \$2 million, owing to
14 Centra, again, is dealt with by the Board in their
15 quarterly orders and need not form part of our discussion
16 in this Application.

17 MR. BRENT SANDERSON: Yes, sir. I would
18 agree.

19 MR. BOB PETERS: And so the other
20 deferral accounts or PGVAs, those would relate to things
21 like supplemental gas, transportation, heating value, and
22 I suppose distribution, to the extent that distribution
23 has a component of unaccounted for gas in it?

24 MR. BRENT SANDERSON: Exactly.

25 MR. BOB PETERS: And what you're

1 depicting on Schedule 7.1.0 found at Tab 56 of the book
2 of documents, Mr. Sanderson, is that on line 10 for the
3 non-primary deferral accounts for the '07/'08 period,
4 that is the fiscal twelve (12) month period, there was
5 \$19 million, on a net basis, owing to the Utility from
6 consumers?

7 MR. BRENT SANDERSON: That's correct.

8 MR. BOB PETERS: You then, from lines 12
9 through down to 18, indicate that in the stub period
10 there -- the -- there's \$9.9 million collected too much
11 on those deferral accounts -- sorry, on those gas costs,
12 so they're in the deferral accounts, owing to the --
13 owing to consumers.

14 MR. BRENT SANDERSON: Yes. With the one
15 (1) caveat that I don't know that I would characterize it
16 necessarily as all being be -- as a result of collecting
17 too much. Certain of these balances, notably the
18 transportation, PGVA account, go through a natural cycle
19 throughout the year and even if over an annual period,
20 the rates are set exactly correctly to collect our
21 forecast costs to the dollar there will be significant
22 balances depending on what point in the year you cut that
23 -- that account off for a stub period.

24 But you would be correct in characterizing
25 that as based -- on the basis of what we've requested,

1 that would be \$10 million owing to the customers.

2 MR. BOB PETERS: What you referenced in
3 terms of transportation costs would be timing issues that
4 would be captured over a twelve (12) month period, but
5 not necessarily in this stub period snapshot?

6 MR. BRENT SANDERSON: Correct. The
7 transportation PGVA will cycle through large balances
8 owing to the Utility and -- and then work those balances
9 off by virtue of the fact that a significant portion of
10 our transportation costs are fixed in nature and incurred
11 on a relatively pro rata basis month to month, while a
12 significant portion of those costs that we recover in
13 rates are recovered through the volumetric portion of
14 customers' rates.

15 And so very little is recovered during the
16 summer months and the lion's share of the recovery of
17 those costs occurs in the winter months when consumption
18 is higher during cold weather.

19 MR. BOB PETERS: On line 20 you're
20 telling the Board that there's \$8.9 million owing to
21 Centra when you net out these -- this entire period from
22 the deferral accounts?

23 MR. BRENT SANDERSON: As at October 31st,
24 2008, yes.

25 MR. BOB PETERS: And from October 31st of

1 2008 you want to add carrying costs through to July 31st
2 of '09 and those carrying costs are four hundred and
3 eighty-five thousand dollars (\$485,000)?

4 MR. BRENT SANDERSON: Correct.

5 MR. BOB PETERS: And maybe just to pique
6 Mr. Warden's interest, those carrying costs on deferral
7 accounts, is that carried at the Company's short term
8 debt rate?

9 MR. BRENT SANDERSON: Yes, plus the
10 Provincial guarantee fee.

11 MR. BOB PETERS: Has there been any
12 adjustment to reflect the actual short term debt rate?

13 MR. BRENT SANDERSON: We've recently
14 looked at what the effect would be on the forecast July
15 31st balance and it would be immaterial. We didn't feel
16 it warranted updating all of these schedules for the
17 purpose of this Hearing. It would be on the order of a
18 hundred thousand dollars (\$100,000) difference on the
19 \$9.5 million.

20 MR. BOB PETERS: But that would be a
21 hundred thousand dollars (\$100,000) in favour of
22 consumers?

23 MR. BRENT SANDERSON: Yes, that's
24 correct.

25 MR. BOB PETERS: And from the request to

1 carry this account to July 31st of 2009, that carries the
2 imbedded assumption that the Board will have put the \$9.4
3 million into rates on August the 1st of 2009.

4 MR. BRENT SANDERSON: Yes. That's what's
5 being assumed here.

6

7 (BRIEF PAUSE)

8

9 MR. BOB PETERS: I want to turn, if I
10 could, to the 2007/'08 fiscal year hedging results, and I
11 think the document at Tab 57 of the book of documents
12 will assist us in that regard.

13 For the fiscal year 2007 to 2008, the
14 hedging positions taken by Centra have actually settled.

15 Would that be correct?

16 MR. BRENT SANDERSON: Yes.

17 MR. BOB PETERS: If that is correct, Mr.
18 Sanderson, would it also be correct that the last column
19 on seven two zero (720) is no longer a mark-to-market
20 positions, but final positions?

21 MR. BRENT SANDERSON: That's right.

22 MR. BOB PETERS: And this page -- would
23 it be a correct summary that \$42.6 million of additional
24 gas costs were incurred in fiscal '07/'08, due to the
25 hedging activities?

1 MR. BRENT SANDERSON: Yes, that's
2 correct.

3 MR. BOB PETERS: And by way of rough
4 math, if you've done it, Mr. Sanderson, that would have
5 added approximately a dollar thirty (\$1.30) per
6 gigajoule?

7 MR. BRENT SANDERSON: I don't have that
8 figure in front of me at the moment. I can -- I can take
9 that as an undertaking if you like, or we can just agree
10 that your math is sound.

11 MR. BOB PETERS: Well, you should know
12 better than that, but let's take it that you'll take it,
13 subject to check, and whether you check it or not will be
14 for you to decide.

15 And -- and would you also take, subject to
16 check then, that gas costs for that fiscal -- fiscal
17 2007/'08 increased by 15 percent as a result of hedging
18 activity?

19 MR. BRENT SANDERSON: I wouldn't
20 characterize it as increased by 15 percent. They were
21 fifteen (15) -- if your percentage is correct, 15 percent
22 higher than they otherwise would have been, had no hedges
23 been in place. So they didn't fall as much as they
24 otherwise would have in the falling-price environment.

25 MR. BOB PETERS: All right. Good

1 clarification, and thank you for that.

2 I see on line 2 of Schedule 7.2.0 found at
3 the book of documents Tab 57, that the April '07 gas
4 month had volumes that were hedged over two (2) different
5 timeframes.

6 Is that correct, first of all?

7 MR. BRENT SANDERSON: Yes, that's
8 correct.

9 MR. BOB PETERS: Generally, would we
10 expect to see those volumes hedged in two (2) different
11 time periods but in the same transaction month?

12 MR. BRENT SANDERSON: Maybe -- or am I
13 correct in maybe what you're meaning to say is: Would it
14 be usual for volumes for a particular future month to be
15 hedged in two (2) different months?

16 Is that what you were meaning to say?

17 MR. BOB PETERS: Yes.

18 MR. BRENT SANDERSON: That would --
19 that's not the matter-of-course approach that we'd use in
20 our program, no.

21 MR. BOB PETERS: Would this be an example
22 of management or executive discretion being exercised by
23 Mr. Warden and his executive committee?

24 MR. BRENT SANDERSON: Yes.

25 MR. BOB PETERS: Can you indicate why

1 that management discretion was utilized if you know?

2 MR. BRENT SANDERSON: I think Mr. Warden
3 would probably be in a better position to explain that.

4 MR. BOB PETERS: Mr. Warden, do you
5 recall the Executive Committee exercising its discretion
6 for the gas month of April of '07, in not fully hedging
7 its position in April of '06 and delaying that until
8 September of '06?

9 MR. VINCE WARDEN: Mr. Peters, I'm just
10 trying to recall the exact circumstances, and if you'd
11 just give me one (1) second please.

12

13 (BRIEF PAUSE)

14

15 MR. VINCE WARDEN: Mr. Peters, there was
16 no one (1) event that precipitated that delay at that
17 time, other than a consensus view that the prices were
18 extraordinarily high at that point in time, and a
19 decision was made to defer the second tranche of -- of
20 hedges.

21 MR. BOB PETERS: Can you tell the Board,
22 Mr. Warden, is -- does the Executive only respond to
23 requests from Mr. Sanderson and his colleagues, or does
24 the Executive look at this independent of any
25 recommendation that may first come from Mr. Sanderson?

1 MR. VINCE WARDEN: The Executive does
2 look at this independently, not exclusively. We -- we
3 sometimes, and quite often, in fact, rely on the
4 expertise provided by Mr. Sander -- Mr. Sanderson, Mr.
5 Stevens and Company.

6 But the -- the Executive Committee
7 certainly looks at this independently as well.

8 MR. BOB PETERS: Can the Board conclude
9 that in April of '06, the recommendation came up to
10 Executive to maybe hold off placing the hedges on the
11 last 50 percent of eligible volumes?

12 MR. VINCE WARDEN: No, that would have
13 been one of those times where the Executive Committee
14 exercised some independence.

15 MR. BOB PETERS: And the reason for
16 exercising it, that independence, Mr. Warden, was the
17 Executive's view that prices were -- were high and were
18 most likely going to fall, and by waiting it would
19 minimize any impact on gas consumers, where they would
20 get the benefit of a more downward movement in the
21 market?

22 MR. VINCE WARDEN: Yes. The -- the
23 Executive Committee has been concerned for some time that
24 the hedging program, as it is structured, has been
25 resulting in quite significant increases to gas costs, or

1 additions to gas costs, whereas, if you go back to the
2 beginning of the hedging program, it -- it -- we were in
3 a rising market and gas costs were considerable reduced.

4 And I think -- there's no doubt, as a
5 matter of fact, that we accept over the very long-term
6 that the impacts of the hedging program will be zero, but
7 there will -- there have been, as evidence by the
8 experience of -- of -- of history, there have been
9 significant year-to-year, either additions or reductions
10 to gas costs.

11 So there is some element of
12 intergenerational equity here that -- that has been a
13 concern for some time.

14 MR. BOB PETERS: Having said that, Mr.
15 Warden, you will acknowledge that the current hedging
16 policy operated by this Board -- sorry, by -- by Centra
17 has been seen by this Board, and it includes a provision
18 for management discretion to -- to deviate from a
19 mechanistic hedging approach?

20 MR. VINCE WARDEN: To deviate from --
21 from hedging 100 percent of eligible volumes at the
22 discretion of the Executive Committee, yes.

23 MR. BOB PETERS: And in the case that
24 you're now pointing out, for the gas month of April of
25 '07, management, or at least the Executive for sure, took

1 a what would be considered a market view.

2 MR. VINCE WARDEN: That -- that would be
3 fair.

4 MR. BOB PETERS: And, in fact, I guess we
5 can look at the score card and see that as a result of
6 the delay in placing the 50 percent of the las -- the
7 last 50 percent of the hedges, Mr. Warden, there was no
8 increase to gas costs?

9 MR. VINCE WARDEN: That's correct.

10 MR. BOB PETERS: In light of your answer
11 two (2) questions ago, Mr. Warden, is Centra considering
12 reviewing its hedging policy and as well as its practices
13 and procedures and perhaps revising it?

14 MR. VINCE WARDEN: Yes.

15 MR. BOB PETERS: And can you tell the
16 Board where you are at with that review and that thought
17 process?

18 MR. VINCE WARDEN: Yes. Well, as I
19 mentioned in my direct testimony, we -- the Executive
20 Committee decided to hedge only 50 percent of eligible
21 volumes for the months -- months of February, March and
22 April 2010. We will continue to only authorize 50
23 percent of eligible volumes until such time as a revised
24 policy is in place.

25 MR. BOB PETERS: Is it your intention to

1 bring that revised policy to this Board?

2 MR. VINCE WARDEN: Yes. Any changes to
3 policy will be brought to this Board for approval.

4 MR. BOB PETERS: Would it be correct, Mr.
5 Sanderson, that on -- on Schedule 7.2.0 for the gas month
6 of April '07, that is the one and only time in that
7 twelve (12) month period that management or executive
8 discretion was used in changing the mechanistic program?

9 MR. BRENT SANDERSON: Yes. Just keeping
10 in mind that the -- the decision to defer those hedges
11 was made in a period prior to the period being depicted
12 here. So -- but yes, I'm -- you're correct in that -- in
13 terms of hedges that effect this period that would be the
14 only departure.

15 If -- I might also, with great respect,
16 we've done some calculations with reference to your math
17 that we had agreed for the moment that we would -- we
18 would go with and -- and actually I would take issue with
19 some of your calculations.

20 You had referenced that, by virtue of
21 hedging, that primary gas costs were a dollar thirty
22 (\$1.30) per gigajoule higher as compared to what they
23 would have been if hedges had not been placed. In doing
24 the calculations I can see that you used as your divisor
25 the volumes hedged, and I think it's important to keep in

1 mind that the volumes hedged only represent about two-
2 thirds (2/3s) of the primary gas we would purchase in a
3 normal year.

4 So looking at the actual primary gas
5 volumes we purchased, these hedge impacts would have
6 resulted in gas costs being ninety-six (96) cents a
7 gigajoule higher than it otherwise would have been in the
8 absence of hedges, or 11.9 percent.

9 MR. BOB PETERS: I was a third too high
10 because I didn't include the ineligible volumes?

11 MR. BRENT SANDERSON: Correct. Or swing
12 volumes which is the more technically correct
13 characterization, as opposed to base load which we had
14 hedged 100 percent for that period.

15 MR. BOB PETERS: All right. I understand
16 your math and thank you for that. While we're still on
17 Schedule 720 at Tab 57 of the book of documents, can you
18 confirm, Mr. Sanderson, that starting for the gas month
19 of November 2007, Centra started to use a wider cashless
20 collar, and that started for gas months of
21 November/December of '07 and January of '08?

22 MR. BRENT SANDERSON: Yes, that's
23 correct. And those hedges under those parameters were
24 first placed in January of 2006.

25 I'm taking you back to the original

1 placement of those hedges for January 2006 for the
2 November and December 2007 and January 2008 period. I'm
3 just trying to line your time up.

4 Pardon me, January 2007, I'm sorry. I'm
5 even getting a little bit lost in time.

6 MR. BOB PETERS: And -- and the Board can
7 find that in the third column under "Transaction Type".
8 They see in January of '07, collars were placed for the
9 gas month of November of '07, correct?

10 MR. BRENT SANDERSON: Yes, correct.

11 MR. BOB PETERS: And the collars that
12 were placed reflect the widening of the band as we call
13 it, and that was pursuant to the last -- I guess Board
14 Order 175 of '06 at a -- probably a cost of gas hearing.

15 MR. BRENT SANDERSON: Assume the
16 reference is correct, yes, I would agree.

17 MR. BOB PETERS: Have you analysed -- or
18 has Centra analysed the impacts of the wider band?

19 MR. BRENT SANDERSON: Yes, we have.

20 MR. BOB PETERS: Can we take it that in a
21 falling market it allows more participation?

22 MR. BRENT SANDERSON: Yes, that's
23 correct.

24 MR. BOB PETERS: And in a rising market
25 it would -- it would -- Mr. Stephens...?

1 MR. HOWARD STEPHENS: It also allows for
2 more participation in price climb.

3 MR. BOB PETERS: All right, if you want
4 to call that participation.

5 When you say you've analysed it, Mr.
6 Sanderson, I'm not surprised. Can you share with the
7 Board what Centra has determined, as a result of the
8 widening of the band?

9 MR. BRENT SANDERSON: In what respect?
10 Either additions to -- there's two (2) effects that we
11 are subject of -- of our focus, and that's the relative
12 additions or reductions to gas cost and the relative
13 effectiveness of the two (2) strategies in reducing
14 primary gas rate volatility.

15 MR. BOB PETERS: Well, it won't be as
16 effective in mitigating rate volatility if the band is
17 wider, will it?

18 MR. BRENT SANDERSON: No, it will not.

19 MR. BOB PETERS: It'll allow more
20 movement within the band?

21 MR. BRENT SANDERSON: Yes, it will.

22 MR. BOB PETERS: So if your objective is
23 to minimize rate volatility then the widening of the band
24 doesn't accomplish that?

25 MR. BRENT SANDERSON: There -- the

1 dichotomy with these types of programs is that you have
2 two (2) directly diametrically opposed objectives. All
3 things being equal, everyone wants the lowest rates
4 possible yet we hedge to reduce rate volatility, which is
5 counterproductive to that end in the short term.

6 So if, to the exclusion of all other
7 considerations, your only objective were to reduce rate
8 volatility, you'd take it to the logical degree where you
9 would hedge with a swap or a -- or a collar with a zero
10 spread on it, if you will; that would be the most
11 effective in reducing rate volatility, but there's other
12 side effects of that that can be problematic in -- under
13 certain market conditions.

14 MR. HOWARD STEPHENS: I just want to add
15 to that. We use the terms "rate" and "price"
16 interchangeably -- inappropriately in this circumstance,
17 because even though you may be reducing the amount of
18 volatility with respect to price, that may not
19 necessarily have the same effect on rates if you have
20 other things going on with your rates.

21 So from that perspective I think it needs
22 to be pointed out that there is a subtle difference
23 between the two (2) and that you can have offsetting
24 factors.

25 MR. BOB PETERS: I have your point, Mr.

1 Stephens.

2 And, Mr. Sanderson, you talk about
3 diametrically opposed objectives. So while volatility
4 may not have been mitigated or reduced by widening the
5 collar, relative to the narrow band, it resulted in lower
6 gas costs by widening the band?

7 MR. BRENT SANDERSON: Yes, compared to
8 the fifty (50) cent out of the money collar that was
9 employed previously.

10 MR. BOB PETERS: Mr. Warden, does your
11 revisiting and reviewing the hedging policy, practices,
12 and procedures include whether cashless collars, and if
13 so, the size of the band, is still the appropriate
14 strategy?

15 MR. VINCE WARDEN: Yes, it does.

16 MR. BOB PETERS: And, Mr. Warden, is it
17 the size of the bands that have caused Centra to want to
18 review the policy, practices, and procedures for hedging,
19 or is there some other impetus?

20 MR. VINCE WARDEN: No, it's primarily the
21 impacts on gas costs, whether they be positive or
22 negative. The magnitude of those impacts has been such
23 that it has caused us concern.

24 MR. BOB PETERS: Will this review of the
25 hedging policy be something that is brought to the Board

1 perhaps with the Fall of 2009 Cost of Gas Application
2 that Mr. Sanderson told the Board about?

3 MR. VINCE WARDEN: Yes.

4 MR. BOB PETERS: Mr. Sanderson, I want to
5 turn to Schedule 7.8.0, also found at Tab 57 of the book
6 of documents, and this schedule represents subtle results
7 for the stub period of April of '08 until October of '08,
8 correct?

9 MR. BRENT SANDERSON: Correct.

10 MR. BOB PETERS: And one (1) of the
11 points that may be of note to the Board is on line 5 and
12 6 as well as lines 13 and 14. It's shown for both the
13 gas month of May '08 and July '08 that again there was
14 hedging split over what appears to be two (2) months.

15 Have you located that?

16 MR. BRENT SANDERSON: Yes, I have.

17 MR. BOB PETERS: And am I correct that
18 Centra has previously told the Board that the hedging for
19 those months was actually done, I think it was maybe the
20 last day of July, followed by the first day of August,
21 and that's why they're showing up as two (2) -- two (2)
22 months?

23 MR. BRENT SANDERSON: Yes, that's
24 correct.

25 MR. BOB PETERS: And, Mr. Sanderson,

1 going to lines 9 and 10, following them to the column
2 under "Transaction Type," are there typographical errors?
3 Should that first collar for July '06 be actually July
4 '07? And then underneath it, it should be August of '07?

5 MR. BRENT SANDERSON: Yes, I see that
6 now. Yes, that's a -- that's a typographical error that
7 appears to have been carried forward from another
8 schedule. That should read "similar to May '08 and July
9 '08" in that one (1) collar was placed in July 2007 and
10 the then next one in August 2007. So, yes, that is a
11 typo.

12 MR. BOB PETERS: All right. And the
13 bottom right-hand corner on line 29 shows that for this
14 stub period of seven (7) months, gas costs were reduced
15 by approximately \$10 million as a result of hedging
16 activities, correct?

17 MR. BRENT SANDERSON: Yes.

18 MR. BOB PETERS: And as you cautioned the
19 Board earlier, Mr. Sanderson, that is for a seven (7)
20 month period, but for the full fiscal year, the hedging
21 activities added a net \$23 million to gas costs, as found
22 on Tab 60 of the book of documents on the second page
23 down at the last -- the last line item in the chart.

24 MR. BRENT SANDERSON: Could you repeat
25 that figure, please?

1 MR. BOB PETERS: Well, I was suggesting
2 that you show, for the seven (7) month stub period, a gas
3 reduction of costs of -- in the neighbourhood of \$10
4 million. But on a full fiscal year basis, ending March
5 31 of 2009, there was, in fact, \$23 million of additional
6 gas costs as a result of hedging.

7 MR. BRENT SANDERSON: Yes.

8 MR. BOB PETERS: With your and my
9 collective math, Mr. Sanderson, that would be telling the
10 Board that in the last five (5) months of that fiscal
11 year there was an approximate \$33 million of additional
12 gas costs due to hedging?

13 MR. BRENT SANDERSON: That math sounds
14 good to me.

15 MR. BOB PETERS: All right. Don't check
16 that, please.

17 I want to turn with you now to the
18 forecast gas costs that you are appearing before the
19 Board to request, and I believe those are located, Mr.
20 Sanderson, in Schedule 8.1.3(b) found at Tab 58 of the
21 book of documents.

22 Am I correct?

23 MR. BRENT SANDERSON: Yes, that's
24 correct.

25 MR. BOB PETERS: And specifically, if we

1 go to line 58, Centra is asking the Board to include in
2 the rates that will be -- be put into effect, gas costs
3 of \$395.8 million. Found at line 58.

4 MR. BRENT SANDERSON: I would agree
5 somewhat, keeping in mind that it's the non-primary gas
6 costs that are -- only -- excluding primary gas costs
7 that are the subject of this proceeding.

8 MR. BOB PETERS: All right. And 86
9 percent, approximately, of -- of the gas -- of that
10 amount that we're looking at is for primary gas and the
11 primary gas numbers are focussed on lines 39, 40, and
12 56.?

13 MR. BRENT SANDERSON: Correct.

14 MR. BOB PETERS: And those will be dealt
15 with by the Board on a regular basis, that is, quarterly?

16 MR. BRENT SANDERSON: Yes.

17 MR. BOB PETERS: In a brief review of
18 Schedule 8.1.3(b) found at the book of documents Tab 58,
19 the fixed costs that appear in the top quarter of the
20 page, Mr. Sanderson, they total \$39.1 million, and those
21 are for storage and transportation, correct?

22 MR. BRENT SANDERSON: Yes, excluding any
23 of the costs of the commodity coming from storage. And
24 it's -- keep in mind as well that that's just the fixed
25 portion of the storage and transportation costs. There

1 are other variable costs that are summarized in lines 18
2 through 35.

3 MR. BOB PETERS: All right. On those
4 fixed costs, first of all, would it be correct for the
5 Board to understand that as you pay for that amount
6 whether you flow any molecules of natural gas?

7 MR. BRENT SANDERSON: Yes, that's
8 correct.

9 MR. BOB PETERS: And then you said -- you
10 drew the Board's attention to the variable costs starting
11 a line 18, and those totals on line 35 of \$7.7 million of
12 variably costs, correct?

13 MR. BRENT SANDERSON: Yes.

14 MR. BOB PETERS: And by the description
15 that you use, those costs are forecast based on the
16 amount of volumes that you expect to flow through those
17 various components?

18 MR. BRENT SANDERSON: Yes, with the
19 various pipelines -- variable pipeline and storage tolls
20 apply to those volumes, correct.

21 MR. BOB PETERS: Mr. Kostick, I think
22 this is coming your way, based on your questions to Ms.
23 Murphy. But you alerted the Board that Centra has done
24 something different with respect to its Transcanada
25 mainline service by having a firm service delivery to the

1 southern Saskatchewan delivery area at a place called
2 Welwyn.

3 Have I got that right?

4 MR. NEIL KOSTICK: That's correct.

5 MR. BOB PETERS: And, Mr. Kostick, I take
6 it from what you're showing the Board on line 5 of this
7 Schedule 8.1.3(b) is that Centra paid to transport gas
8 from Empress to Welwyn, Saskatchewan, and that's the line
9 5 expense, fixed expense?

10 MR. NEIL KOSTICK: That is the forecast
11 amount.

12 MR. BOB PETERS: All right, good
13 clarification. So you're forecasting that's what it will
14 cost to ship from Empress to Welwyn, Saskatchewan -- I
15 hate to admit this, but as a Saskatchewan native where's
16 Welwyn?

17 MR. NEIL KOSTICK: It's just inside the
18 border with Manitoba, just east of the
19 Saskatchewan/Manitoba border.

20 MR. BOB PETERS: Okay. I know Moosomin
21 and Whitewood and -- I'll look for that one.

22 And then what -- what the Board notices
23 here then on line 6 is that you ship the gas from Welwyn
24 to the Manitoba delivery zone.

25 MR. NEIL KOSTICK: That's correct.

1 MR. BOB PETERS: And this is a new
2 portfolio adjustment that the Board would not have heard
3 about at the last GRA.

4 Is that your understanding?

5 MR. NEIL KOSTICK: That is correct.

6 MR. BOB PETERS: And in fact, the first
7 time that it was done was in the 2008/'09 gas year?

8 MR. NEIL KOSTICK: Correct.

9 MR. BOB PETERS: Is this a new
10 Transcanada Pipeline offering?

11 MR. NEIL KOSTICK: It's something that
12 has arisen on Transcanada as a result of the shifting of
13 the load centre in the Saskatchewan zone. Transcanada
14 has different delivery zones, there's a Manitoba zone,
15 there's a Saskatchewan zone, and various points within --
16 within those zones are tolled the same, based on the load
17 centre within those zones. So over the course of time
18 the Saskatchewan zone load centre has migrated west,
19 probably somewhere between Regina and Swift Current.

20 So what effectively happens is a shipper
21 like Centra can deliver gas to the Saskatchewan zone and
22 be tolled for that Empress to Saskatchewan zone path,
23 based on the Saskatchewan load centre. But then on a
24 segmented basis can then ship gas from Welwyn, which is
25 at the far eastern point of Saskatchewan, to Manitoba,

1 and realize a tolling advantage, because the distance
2 between the Saskatchewan zone load centre and Welwyn,
3 according to Transcanada, was probably about 200
4 kilometres.

5 So essentially a shipper could get about
6 200 kilometres free transportation through segmenting.
7 And that is something that is not the intent of
8 Transcanada's tolling but that has happened as a result
9 of changing contracting patterns and the shifting of the
10 Saskatchewan zone load centre and the fact that their
11 tolls are distance based.

12 MR. BOB PETERS: I take it -- when did
13 the load centre shift for Transcanada in Saskatchewan?

14 MR. NEIL KOSTICK: We -- we had a look at
15 historical tolls and the relative advantage of segmenting
16 through Welwyn versus contracting via a direct path, and
17 the benefit appeared to really come to any magnitude in
18 early 2008 with the implementation of Transcanada's 2008
19 tolls.

20 MR. BOB PETERS: Now that Centra has
21 discovered what maybe the lawyers are applauding as a
22 loophole, has Transcanada focussed its attention on
23 addressing this issue and not giving away 200 kilometres
24 of free transportation?

25 MR. NEIL KOSTICK: Yes, Transcanada

1 submitted an application to the NEB earlier this year to
2 essentially remove Welwyn from the Saskatchewan zone and
3 toll Welwyn on a point-to-point basis, such that that
4 tolling advantage would no longer exist. And that
5 Application was approved by the NEB in April of this year
6 and that would remove the Welwyn tolling advantage as of
7 November 1st of 2009.

8 MR. BOB PETERS: Forgive me, Mr. Kostick.
9 I couldn't determine, through the materials, what the
10 specific financial benefit was in the November 1, '08 to
11 October 31, '09 gas year savings from this segmented
12 shipping.

13 MR. NEIL KOSTICK: I believe it was
14 stated in an IR that the savings related to the Welwyn
15 segmentation amounted to approximately \$2.8 million on a
16 forecast basis. And those savings serve to offset some of
17 the increases that occurred on Transcanada through 2008.

18 MR. BOB PETERS: But what the Board will
19 be hearing, then, is that while you're forecasting for
20 November 1, '08 to October 31, '09, a savings of \$2.8
21 million, when they see Centra at their Cost of Gas
22 Hearing to be filed this fall, that \$2.8 million won't be
23 shown; it'll be, in fact, cost will be up \$2.8 million.

24 MR. HOWARD STEPHENS: All other things
25 being equal, we will see the price -- our cost of

1 transportation to the MDA go up by that amount, or some
2 amount related to this anomaly in the toll structure.

3 MR. BOB PETERS: Is it too early to tell,
4 Mr. Stephens or Mr. Kostick, whether there will be other
5 gains realized or what the tolling impact will be for the
6 next gas year, not the one that we're in, but the next
7 one?

8 MR. HOWARD STEPHENS: Given the state of
9 affairs of Transcanada and their tolling structure, it's
10 very difficult to predict precisely where they're going.
11 Up would be the only comment that I would make.

12 MR. BOB PETERS: All right. Mr. Kostick,
13 in addition -- in addition to the \$2.8 million savings as
14 a result of the Welmid -- Welwood -- Welwyn segmentation,
15 Centra also reduced its forecast gas costs for the
16 November 1, '08 to October 31, '09 gas year, by way of
17 season -- seasonal delivered service, correct?

18 MR. NEIL KOSTICK: Seasonal delivered
19 service was added along with different or -- or several
20 other portfolio -- portfolio considerations, which
21 included reduction in Transcanada from transport
22 capacity.

23 MR. BOB PETERS: In essence, as I read
24 the Application, Mr. Kostick, Centra gave up some firm
25 transportation on Transcanada Pipeline.

1 Would that be correct?

2 MR. NEIL KOSTICK: That's correct.

3 MR. BOB PETERS: But because you still
4 need to get the gas to Winnipeg, you replaced it with
5 20,000 gigajoules, I guess, a day for eight (8) months
6 from a counterparty?

7 MR. NEIL KOSTICK: That's correct. And
8 if we can locate the IR, I believe it spells out all the
9 cost reductions and additions related to those
10 contracting changes that we're talking about here, which
11 I can try to find if you like.

12 MR. BOB PETERS: No, we -- we've got it at
13 hand.

14 But in addition to that 20,000 gigajoules
15 a day, purchased for eight (8) months from counterparty,
16 Centra also entered into a seasonal delivery service for
17 approximately 12,500 gigajoules a day in the coldest
18 months.

19 MR. NEIL KOSTICK: In the months of
20 November through January.

21 MR. BOB PETERS: Is that twelve thousand
22 five hundred (12,500) for the -- for the coldest months
23 coming from the same counterparty as the twenty thousand
24 (20,000) a day?

25 Can you indicate that to the Board?

1 MR. NEIL KOSTICK: The seasonal delivered
2 service was executed with two (2) different
3 counterparties, one of which is the same counterparty
4 that provided the 20,000 gigajoule per day from transport
5 for eight (8) months.

6 MR. BOB PETERS: Okay. I'm a little
7 confused on that answer. But the 20,000 gigajoules a day
8 coming from the counterparty for eight (8) months is also
9 supplying some of the twelve thousand five hundred
10 (12,500) in the cold months?

11 MR. NEIL KOSTICK: Yes. If we refer to
12 the counterparty providing the 20,000 gigajoule per day
13 transport as Counterparty A, Counterparty A provided the
14 twelve thousand five hundred (12,500) seasonal delivered
15 service in the months of November and December, and
16 another counterparty, Counterparty B was the successful
17 bidder on the seasonal delivered service for the month of
18 January.

19 MR. BOB PETERS: Okay. I -- I wasn't
20 thinking along those lines but thank you for clarifying
21 that. And the last point on this, Mr. Kostick, is that
22 also in the cold months there is an additional 7,800
23 gigajoules a day coming from Oklahoma by way of
24 supplemental gas.

25 Is that correct?

1 MR. NEIL KOSTICK: That's correct.

2 MR. BOB PETERS: All right. And so as a
3 result of those portfolio changes 2.8 million was saved
4 because of the Welwyn segmentation and another
5 approximate \$3 million was saved as a result of
6 decontracting from TCPL and picking up what you need from
7 counterparties by way of delivered service, as well as
8 the Oklahoma supplemental gas?

9 MR. NEIL KOSTICK: I would exclude the
10 inclusion of the Oklahoma supplemental because the
11 Oklahoma gas would flow on in our southwest, which is
12 already part of our portfolio. So just with reference to
13 the portfolio changes from Alberta, the savings would be
14 approximately as you have suggested.

15 MR. BOB PETERS: And to net this up
16 before lunch and subject to any comments you have, Mr.
17 Kostick, I -- I heard the tolls for TCPL increased
18 according to what's filed by \$4.1 million, but the
19 portfolio adjustments you've now told the Board about
20 saved \$5.7 million. So there's a net savings of 1.6
21 million for consumers in the forecast gas year.

22 MR. NEIL KOSTICK: That's correct.

23 MR. BOB PETERS: Subject to any
24 clarifications you may have had, those are my questions.

25 MR. NEIL KOSTICK: I could perhaps just

1 point out the -- the benefit of the contracting for the
2 20,000 gigajoules per day is for an eight (8) month
3 period, such that Centra does not incur four (4) months
4 of fixed transportation costs on Transcanada that we've
5 essentially de-contracted that twenty thousand (20,000)
6 for the months of June through September.

7 MR. HOWARD STEPHENS: Mr. -- I'd just
8 like to add to that. I mean what it provides us is
9 really if we're shaping our transportation capacity to
10 satisfy our load requirements, so customers are no longer
11 as exposed during the shoulder months as they normally
12 are in April and October as they were with our other
13 arrangements.

14 So -- then we were -- although we've
15 reduced the FT capacity we brought other components into
16 place that provide us the opportunity to satisfy the load
17 during like the shoulder months when we were typically
18 very exposed and would be in the market for supplemental
19 gas, which could be relatively expensive.

20 MR. BOB PETERS: Would you agree with me,
21 Mr. -- Mr. Sanderson or Mr. Stephens, Mr. Kostick, that
22 by reducing your firm transportation contract with TCPL,
23 you have probably also reduced Centra's ability to gain
24 revenues through capacity management?

25 MR. HOWARD STEPHENS: That's correct

1 because we have no longer -- we're now -- I guess the
2 terminology that we're using now is rate sizing our
3 portfolio, to the extent that we can -- we no long have
4 extra capacity of excess capacity as frequently.

5 MR. BOB PETERS: Mr. Chairman, those are
6 my questions before lunch and I'll pick it up with this
7 panel when we resume this afternoon.

8 THE CHAIRPERSON: Very good, Mr. Peters.
9 Would 1:15 be too early? Okay, 1:15.

10

11 --- Upon recessing at 12:05 p.m.

12 --- Upon resuming at 1:18 p.m.

13

14 THE CHAIRPERSON: Okay, welcome back
15 everyone.

16 Mr. Peters, do you want to continue where
17 you left off or...?

18 MR. BOB PETERS: Yes, thank you. Thank
19 you, Mr. Chairman.

20

21 CONTINUED BY MR. BOB PETERS:

22 MR. BOB PETERS: I'd like to start a new
23 topic dealing with the forecast hedging results.

24 And, Mr. Sanderson, you have told the
25 Board that you have forecasted gas costs for November 1,

1 2008 to October 31, '09 and you're seeking Board approval
2 of that forecast on a gas year basis, correct?

3 MR. BRENT SANDERSON: Yes, that's
4 correct.

5 MR. BOB PETERS: And we've already seen
6 the hedging results that were actually incurred from
7 April of '07 to October of '08 but included in your
8 requests is for -- for approval of future gas costs is an
9 amount for the November 1, '08 to the October 31, '09
10 hedging results.

11 Is that correct?

12 MR. BRENT SANDERSON: Again, I don't mean
13 to sound like I'm focussing on semantics, but again those
14 hedging -- forecast hedging results would be solely
15 related to primary gas costs and the forecast that we
16 have before the Board now is in respect of non-primary
17 gas costs only.

18 So any actual in forecast hedging impacts
19 relating to primary gas for the '08/'09 gas year period
20 would be handled on a continuum in the quarterly primary
21 gas rate setting process.

22 MR. BOB PETERS: Thank you for that. So
23 that's -- with that in mind that these are related to the
24 primary gas costs then let's just show the Board Schedule
25 8.2.1 updated on May the 5th found at Tab 60 of the book

1 of documents.

2 Mr. Sanderson, I'm not sure which one of
3 the witnesses referenced it but, at least on a forecast
4 basis, there's \$87 million of additional gas costs that
5 consumers are forecast to pay, albeit this is related to
6 primary gas?

7 MR. BRENT SANDERSON: Yes, that's
8 correct.

9 MR. BOB PETERS: And some months are
10 known results and those would be the ones that are shaded
11 or the grey, the darker ones, those ones are already
12 settled as they say in the industry?

13 MR. BRENT SANDERSON: Yes.

14 MR. BOB PETERS: And in addition to the
15 ones that are shaded grey on this schedule, I suppose the
16 month of May of '09 would also have settled at this point
17 in time but you may not know those results or do you?

18 MR. BRENT SANDERSON: As of the time this
19 schedule was prepared we would not have known them, but
20 we do know them at this point in time.

21 MR. BOB PETERS: And have you got them
22 handy so I could just jot them in here?

23 MR. BRENT SANDERSON: If you'll just give
24 me one (1) second I'll see how fast we can pull those up.

25

1 (BRIEF PAUSE)

2

3 MR. BRENT SANDERSON: Someone's just
4 pulling those figures up right now as we speak. It may -
5 - may just be a minute; the network is running a little
6 slow.

7 MR. BOB PETERS: As Mr. Stephens shows
8 you sometimes the paperwork's just as quick.

9 MR. BRENT SANDERSON: Yeah, and sometimes
10 the old ways are the best. There was nothing in that
11 comment other than what I intended; no stab against Mr.
12 Stephens and his lengthy experience.

13 MR. HOWARD STEPHENS: I think you're
14 digging yourself a hole.

15 MR. BRENT SANDERSON: I'll quit while I'm
16 behind.

17 Settled hedging results for May 2009
18 amount to \$10.3 million additional -- additions to gas --
19 primary gas costs.

20 MR. BOB PETERS: Mr. Sanderson, I recall
21 from a previous time talking to you about hedging results
22 that you were able to provide statistically the
23 likelihood of the dollar amount of the results of your
24 hedges; do you remember that?

25 MR. BRENT SANDERSON: Well, at any point

1 in time you can use the expectations for price volatility
2 that are embedded in the price of natural gas options
3 contracts to extrapolate out into the future the
4 likelihood of a particular price scenario being breached
5 and, I mean, that probability changes by the day. But at
6 any point in time you can use those tools to basically
7 determine what the market's view of the likelihood of a
8 given price is for a given future period.

9 MR. BOB PETERS: Well, can you tell the
10 Board and provide the degree of accuracy of your answer
11 as to what the results of the hedging will be for the gas
12 year from November of '08 to October of '09?

13 MR. BRENT SANDERSON: Well, the -- the
14 most likely outcome would be the mark to market; that --
15 that would be the baseline outcome or the most expected
16 outcome, so if -- if that's what you'd like me to provide
17 I can give you that number.

18 MR. BOB PETERS: Well, no, we have that
19 number in terms of -- of what's before us but I thought
20 you could tell the Board with some degree of certainty or
21 probabilistic terms as to what -- what the additional gas
22 costs would be due to hedging for the forecast year.

23 MR. BRENT SANDERSON: I guess there's a
24 bit of confusion here. If -- if you're looking for us to
25 make a probabilistic statement regarding the all-in hedge

1 impacts for the current gas year I would need the
2 parameters to be provided by you as to what boundaries to
3 that outcome you're interest -- would you like the upper
4 and lower most likely bounds in looking at the
5 distribution of possible scenarios? This gets into some
6 very technical areas.

7 Are you looking for a distribution of best
8 case and worst case likely outcomes? Would that be a
9 fair way to characterize it?

10 MR. BOB PETERS: Maybe I'm asking for
11 more than I know but that range will be helpful but I
12 also recall -- and, of course, it is a faded memory --
13 that you sat before this Board at some point in the past
14 and said, With 95 percent certainty, we can expect this
15 result to our annual hedging.

16 MR. BRENT SANDERSON: No, but a statement
17 like that would be more fairly characterized in terms of
18 a range of possible outcomes. I can say with X
19 percentage certainty that it is likely to be no more than
20 this and no less than this, but in terms of what the best
21 case -- what the -- or most likely forecast is at this
22 point in time, that would be the mark to market. The
23 current futures price at any given point in time is the
24 most likely outcome.

25 And I can -- and those ranges or the risk

1 to that forecast as of -- as of the most recent market
2 price is what you state probabilistically not likely to
3 be above this or not likely to be below that, if you
4 will. But the most likely expectation would be the mark
5 to market, and I have a more up-to-date number as of May
6 27th.

7 MR. BOB PETERS: Why don't you just
8 undertake to file that most up-to-date mark to market
9 results and we'll take that with -- as being the -- the
10 best forecast of what the year will turn out like?

11 MR. BRENT SANDERSON: I could read it
12 into the record right now if you like.

13 MR. BOB PETERS: Okay, certainly, yeah.

14 MR. BRENT SANDERSON: In addition to gas
15 costs of \$94.3 million.

16

17 (BRIEF PAUSE)

18

19 MR. BOB PETERS: Mr. Sanderson, can you
20 confirm to the Board that the policies and procedures of
21 the hedging policy were not deviated in any respects with
22 respect to Schedule 8.2.1?

23 MR. BRENT SANDERSON: Keeping in mind
24 that the policy does allow for executive discretion, so
25 the exercise of executive discretion, I don't know if we

1 could call that a departure from the policy as opposed to
2 a departure from our matter-of-course implementation
3 approach.

4 In terms of our matter-of-course
5 implementation approach, there is no departures from that
6 for any of the hedges for the period depicted in Schedule
7 8.2.1.

8 MR. BOB PETERS: Will I see any
9 management discretion exercised on -- on this sheet 8, as
10 well?

11 MR. BRENT SANDERSON: I'm sorry, I had
12 someone talking to me. Could you repeat the question,
13 please?

14 MR. BOB PETERS: Why don't I let you
15 catch up to the last question and see if your answer was
16 responsive in total?

17

18 (BRIEF PAUSE)

19

20 MR. BRENT SANDERSON: Sorry, Mr. Peters.
21 We're done. If you could repeat the question?

22 MR. BOB PETERS: And -- and I have a --
23 just go back with you for a minute. The \$94.3 million
24 number that you just provided the Board with in terms of
25 the most likely mark to market end year results -- end

1 gas year results, as of what date was that number
2 provided? Is that...?

3 MR. BRENT SANDERSON: That was prepared
4 as of May 27th.

5 MR. BOB PETERS: A May 27th strip?

6 MR. BRENT SANDERSON: May 27th strip and
7 settled results up to and including May of 2009.

8 MR. BOB PETERS: All right. Back to my
9 other questions.

10 Did management or executive use any
11 discretion to not follow the mechanistic hedging program
12 on Schedule 8.2.1?

13 MR. BRENT SANDERSON: No.

14 MR. BOB PETERS: And if I noted correctly
15 from Mr. -- I think it was Mr. Warden, who told us --
16 told the Board in his answers to Ms. Murphy that up until
17 January the 10th -- I'm sorry, January 2010, 100 percent
18 of the volumes have been hedged, but starting in February
19 of 2010 and including March of 2010 and April of 2010,
20 the decision has been made to hedge only 50 percent of
21 those volumes and leave the other 50 percent of eligible
22 volumes unhedged.

23 MR. BRENT SANDERSON: Yes, that's what I
24 recollect Mr. Warden saying.

25 MR. BOB PETERS: And, Mr. Warden, is it

1 possible between now and then you will implement hedges
2 or is that decision been made not to implement hedges,
3 whatsoever, for the February, March and April of 2010?

4 MR. BRENT SANDERSON: I might just
5 correct the record that we have 50 percent of eligible
6 volumes for those months already hedged.

7

8 (BRIEF PAUSE)

9

10 MR. BOB PETERS: Yes, Mr. Warden, in
11 light of February, March, and April of 2010 only having
12 50 percent of their eligible volumes hedged, is the
13 executive considering putting hedges on at some point in
14 time?

15 MR. VINCE WARDEN: We would typically go
16 -- go to place hedges again in July, in July of '09, next
17 month, and at that time a decision would be made whether
18 or not to hedge 100 percent or 50 percent. However, I
19 can say at this time until such -- until such time as the
20 derivatives hedging policy has been updated the most
21 likely scenario is it will continue to hedge 50 percent.

22 MR. BOB PETERS: Why -- why 50 percent as
23 opposed to zero or some other number, Mr. Warden? Do
24 you...

25 MR. VINCE WARDEN: Well, I think I

1 indicated in my direct that 50 percent provides some
2 measure of price protection against a price spike so it's
3 a form of insurance with the appropriate balance between
4 that protection and the addition to gas costs, potential
5 addition to gas costs that we've been seeing over the
6 past number of periods.

7 MR. BOB PETERS: Mr. Warden, if you and
8 your panel members, as well as the Board, could turn to
9 the second document at Tab 60 of the book of documents
10 you'll see a response to PUB/Centra Question 181; it'll
11 be the second page under Tab 60.

12 Do you have -- do you have that now, sir?

13 MR. VINCE WARDEN: Yes, we have that.

14 MR. BOB PETERS: And, Mr. Sanderson, are
15 the numbers on that page still correct or are there any
16 revisions that are needed?

17 MR. BRENT SANDERSON: They're correct to
18 the best of my knowledge, Mr. Peters.

19 MR. BOB PETERS: And that's because any
20 updates you've now told the Board about refer to the gas
21 year that's after March 31st of '09?

22 MR. BRENT SANDERSON: Correct.

23 MR. BOB PETERS: Is it correct, panel,
24 when the Board looks at this schedule to see that in four
25 (4) years gas costs were reduced as a result of hedging

1 and in three (3) years gas costs have increased?

2 MR. VINCE WARDEN: Yes.

3

4 (BRIEF PAUSE)

5

6 MR. BOB PETERS: So what the Board sees
7 then, Mr. Sanderson and Mr. Warden, is that on a net
8 basis since -- since Centra started their hedging program
9 gas costs from fiscal '03 through fiscal '09 have
10 increased by \$61 million over what they would have been
11 had there been no hedging in place?

12 MR. BRENT SANDERSON: Yes, that's
13 correct.

14 MR. BOB PETERS: And you'll agree with me
15 that hedging initially was Centra's way to reduce rate
16 volatility?

17 MR. BRENT SANDERSON: Correct.

18 MR. BOB PETERS: And you'd agree with me
19 that the ultimate rate volatility reduction is by way of
20 a fixed price primary gas contract?

21 MR. BRENT SANDERSON: If that were the
22 only consideration at hand, yes.

23 MR. BOB PETERS: If that was the only
24 consideration by the consumer that they wanted to fix or
25 reduce entirely their rate volatility they could enter

1 into a fixed price primary gas contract?

2 MR. BRENT SANDERSON: Yes, that's
3 correct.

4 MR. BOB PETERS: And they could enter
5 into such contracts depending on the terms with either
6 Centra or a broker?

7 MR. BRENT SANDERSON: Yes.

8 MR. BOB PETERS: Mr. Warden, you haven't
9 said it in your answers so far to the Board but is the
10 executive considering discontinuing hedging as a -- as a
11 program for the Gas Utility?

12 MR. VINCE WARDEN: No, not at this point.

13 MR. BOB PETERS: But with consumers now
14 having a choice between or, you know, both -- both from a
15 broker and from the LDC for - for fixed price offerings
16 is this the time for the Utility to step away from the
17 hedging table?

18 MR. VINCE WARDEN: The -- the
19 introduction of fixed price offerings by the Utility
20 lessens the need for a hedging program perhaps but the
21 take-up has been very modest to date.

22 So there might be some point in the future
23 at which the hedging program can be disbanded altogether
24 but we're not near that point yet.

25 MR. BOB PETERS: When you say you're not

1 near that point, is that a point that will be considered
2 for the Board to look at with your cost of gas filing in
3 the Fall of 2009?

4 MR. VINCE WARDEN: Well, I wouldn't think
5 we would be at that point in the Fall of 2009 but, as we
6 discussed earlier, we will have in the Fall of 2009 an
7 updated or changed or revised derivatives hedging policy
8 for the Board to consider.

9 MR. BOB PETERS: But not to consider
10 discontinuation of it at all?

11 MR. VINCE WARDEN: I don't expect that at
12 this time.

13 MR. BOB PETERS: I'd like to turn with
14 the panel to the issue of capacity management and for
15 that purpose I'll make reference to the book of documents
16 Tab 61.

17 And in essence the Board will be correct
18 in understanding that capacity management is really the
19 use of Centra's assets to generate revenues to reduce gas
20 costs for the consumers. Is -- is that fair?

21 MR. NEIL KOSTICK: It is the use of
22 available assets that Centra may have dependent upon
23 weather and market conditions to enter into various
24 transactions.

25 MR. BOB PETERS: Is it also correct, Mr.

1 Kostick, that Centra only investigates capacity
2 management transactions when it has surplus capacity?

3 MR. NEIL KOSTICK: There -- there are two
4 (2) forms of capacity management transactions in a broad
5 sense. One is capacity release in which case Centra
6 would have to have excess capacity to release such
7 capacity.

8 The other broad category of transaction is
9 a storage exchange where Centra would be backhauling
10 storage gas from its Michigan storage facility in which
11 case it could execute a storage exchange transaction.

12 MR. BOB PETERS: Am I correct that Centra
13 needs 100 percent certainty that that capacity won't be
14 needed for Manitobans before it releases any surplus or
15 tries to sell it on the capacity release side?

16 MR. NEIL KOSTICK: Centra would only
17 release capacity if it determines that it does not need
18 the capacity.

19 MR. BOB PETERS: What I mean by that is,
20 Centra has to be 100 percent certain that it won't need
21 that capacity during the -- the year before it's going to
22 release it.

23 MR. NEIL KOSTICK: Capacity release
24 transactions can extend over a variety of durations.
25 They can be day-to-day transactions, they could be

1 seasonal or month-to-month.

2 And so it really depends on what stage we
3 are in our -- in our planning process. We develop
4 seasonal plans which would determine how much excess
5 capacity we may or may not have and then on a day-to-day
6 basis we look at that, as well.

7 MR. BOB PETERS: In turning to just the
8 exchanges to understand it, would it be correct to
9 categorize your exchanges as a third party will deliver
10 gas to Centra in exchange for the gas Centra has in
11 storage being released to that counterparty or somebody
12 they direct it be released to?

13 MR. NEIL KOSTICK: That's correct.

14 MR. BOB PETERS: And in those cases
15 Centra is capitalizing on market opportunities that
16 afford the Utility to buy somebody else's delivered
17 service and then make money on the resale of Centra's
18 storage gas?

19 MR. NEIL KOSTICK: What's really
20 happening is Centra and a counterparty are entering into
21 a transaction where the counterparty is paying Centra for
22 what essentially amounts to virtual transportation.

23 So it's not so much buying and selling of
24 gas between the parties, it's a service that Centra can
25 provide. If a counterparty can deliver gas to Manitoba,

1 Centra can give the counterparty the exact same amount of
2 gas out of its storage in Michigan such that the
3 counterparty benefits by getting that virtual
4 transportation. For the cost of delivering gas to
5 Manitoba they can get gas out in Michigan. And, of
6 course, they pay Centra a fee for doing that.

7 MR. BOB PETERS: In those exchange
8 transactions, Centra's not losing any volume of gas from
9 storage, it's getting it delivered to Manitoba, correct?

10 MR. NEIL KOSTICK: That's correct.

11 MR. BOB PETERS: But for the -- for the
12 capacity release, it would be some of those fixed assets
13 that we talked about earlier with Mr. Sanderson that
14 you've determined you will not need and, therefore, you
15 can release them or sell them to the highest bidder.

16 MR. NEIL KOSTICK: That's correct.

17 MR. BOB PETERS: Am I correct that you
18 won't enter into a capacity release transaction unless
19 you are guaranteed of a profit?

20 MR. NEIL KOSTICK: That is correct.

21 MR. BOB PETERS: So, would you enter into
22 a situation -- would Centra enter into a situation where,
23 perhaps, there could a hundred thousand dollar (\$100,000)
24 upside, but the impact could also be a ten thousand
25 dollar (\$10,000) downside?

1 Would you enter into or entertain
2 consideration of such a transaction?

3 MR. NEIL KOSTICK: No, we would not.

4 MR. BOB PETERS: You would agree, Mr.
5 Kostick, that generally -- generally stated, gas is
6 always available to Manitobans, it's just a question of
7 price?

8 MR. NEIL KOSTICK: There are times when
9 there may be constraints on the Transcanada mainline in
10 which gas may not be available. Physically, gas is
11 flowing through Manitoba and, ultimately, flows east to
12 other markets.

13 So, in that sense, there's physically gas
14 flowing through Manitoba, but Centra may not have the
15 contractual capacity to bring that gas to Manitoba, so to
16 speak, or there may not be gas available in the market
17 under certain market conditions.

18 MR. BOB PETERS: Would that be relatively
19 rare on those occasions when gas would not be available
20 to Centra at -- at a price?

21 MR. NEIL KOSTICK: It would generally be
22 rare, although there are situations of system
23 constraints. For example, Transcanada has compressor
24 failures on their system due to extraordinarily cold
25 weather, there can be limitations to how much Transcanada

1 can actually deliver on the mainline.

2 MR. BOB PETERS: Has Centra determined
3 then that it will -- will -- it will act conservatively
4 as opposed to taking even a -- a moderate risk in light
5 of the -- the risk you've now told the Board about?

6 MR. HOWARD STEPHENS: Mr. Peters, yes,
7 it's our policy, if you will, that the capacity
8 management transactions will not impact our ability to
9 serve our customers and take a secondary role to serving
10 the customers.

11 So, if there is any potential for a
12 transaction to impede our ability to serve the market, or
13 if there are any scenarios that we can think of when we
14 enter into a transaction and there is a potential for us
15 to not be able to meet our obligations in terms of
16 serving the Manitoba load, we will not engage in that
17 transaction.

18 MR. BOB PETERS: Have you ever analysed
19 those opportunities, Mr. Stephens, to see whether or not
20 you've left money on the table?

21 MR. HOWARD STEPHENS: Well, I'm certain
22 that there have been times that we have not entered into
23 transactions because we did not -- they didn't, I mean,
24 live within the parameters that I've just explained and
25 that the potential for a loss was going to occur or that

1 we could foresee a situation that there was going to be a
2 loss that could occur.

3 And in that circumstance, given the
4 criteria that I just gave, we would have turned down
5 those transactions and potentially would have left money
6 on the table.

7 MR. BOB PETERS: And have you ever
8 analysed over the course of a year, a gas year or a
9 fiscal year, whether you would have come out ahead or
10 behind had you made those?

11 MR. HOWARD STEPHENS: Well, just -- given
12 the nature of the type of transaction you're talking
13 about, say, I mean, given the example you used where I
14 could potentially make a hundred thousand dollars
15 (\$100,000) or lose ten thousand dollars (\$10,000), I
16 don't know how that transaction would have turned out,
17 and we have done a -- not done a post facto review of it.

18 MR. BOB PETERS: You're saying you
19 couldn't do a post facto review because you, in fact,
20 didn't follow that through?

21 MR. HOWARD STEPHENS: Yes, because the
22 pricing of the commodity at the specific points in time
23 that you may trigger the transaction may not be known.
24 We're talking daily spot prices, so they may not be
25 readily available to you.

1 MR. BOB PETERS: When Mr. Sanderson and I
2 looked with the Board at Schedule 8.1.3(b) found at Tab
3 58 of the book of documents, there's a line item on line
4 57 that shows a five (5) year average capacity management
5 revenue of \$6.8 million.

6 Is that correct?

7 MR. BRENT SANDERSON: Yes, it is.

8 MR. BOB PETERS: And what you've told the
9 Board is that included in the forecast gas prices that
10 are for not for primary matters you've included a credit
11 of \$6.8 million on account of capacity management,
12 correct?

13 MR. BRENT SANDERSON: Correct.

14 MR. BOB PETERS: When I look to Tab 61 of
15 the book of documents and turn to the third page, which
16 has an attachment, it appears on PUB/CENTRA 98 found at
17 Tab 61 that you're telling the Board that's how much
18 money you've received as of February 28th, 2009, and you
19 still need to make another \$4.6 million before October 31
20 of '09? Is that what the Board --

21 MR. BRENT SANDERSON: If we're -- if
22 we're to equal the previous rolling five (5) year
23 average, correct.

24 MR. BOB PETERS: All right, and you've
25 put the rolling five (5) year average in your forecast,

1 though, correct?

2 MR. BRENT SANDERSON: That's correct.

3 MR. BOB PETERS: And is it your
4 expectation as you testified before the Board that you
5 will achieve \$6.8 million in total capacity management
6 revenues?

7 MR. HOWARD STEPHENS: Mr. Peters, I think
8 I'll answer that. The Board has been looking for
9 forecasts with respect to capacity management revenues
10 each year and this is the methodology that we've settled
11 upon in terms of making a forecast.

12 I don't stand behind it; there's no
13 guarantee associated with it. There are a multitude of
14 factors associated with the marketplace that will
15 determine what our ultimate capacity management revenues
16 will be, but for purposes of rate making we do put a
17 number in and that -- I mean, this seems to be the number
18 that's agreeable to -- to all of the parties, but there
19 are no guarantees with respect to that number.

20 I think the alternative would be to put no
21 number in and potentially then credit customers to the
22 extent that we can generate revenues. So, I mean, there
23 are two (2) different ways to look at this.

24 MR. BOB PETERS: And the second way that
25 you just mentioned though was the was way that was done

1 years ago? You had --

2 MR. HOWARD STEPHENS: No, we've always
3 provided a forecast but it was just generally on the
4 basis of historic...

5

6 (BRIEF PAUSE)

7

8 MR. HOWARD STEPHENS: Where were we, Mr.
9 Peters?

10 MR. BOB PETERS: You were putting all
11 kinds of caveats on the \$6.8 million number saying that
12 there's no guarantee that that's going to come to
13 fruition and if it's not, I'm sure we'll see it at the
14 Cost of Gas Hearing that you didn't achieve it.

15 MR. HOWARD STEPHENS: Yes, and we -- oh,
16 well, Mr. Sanderson may disagree with me. We may have a
17 disagreement in terms of history but we have always put a
18 number in with respect to this but never claiming that it
19 was developed with any degree of accuracy because there
20 are such a variety of factors that impact our ability to
21 generate revenues and I've spoken at length about this
22 over the course of the hundred years that I've been doing
23 this.

24 MR. BOB PETERS: Mr. Stephens, I would
25 expect from the numbers that Mr. Warden told the Board

1 about in terms of net income more gas has been flowing
2 than -- than is normal -- than is -- than is weather
3 normal?

4 MR. HOWARD STEPHENS: This year we were
5 more -- I mean our -- our throughput is higher than
6 normal, yes.

7 MR. BOB PETERS: And on top of that, Mr.
8 Kostick has told the Board about the Welwyn splitting of
9 the -- of the transportation.

10 MR. HOWARD STEPHENS: Yes.

11 MR. BOB PETERS: He's also told the Board
12 of other portfolio adjustments. Would all of those
13 factors go to reduce the capacity management revenues
14 that can be expected?

15 MR. HOWARD STEPHENS: Some of them would
16 have no impact on the capacity management revenues.

17 MR. BOB PETERS: Okay, the Welwyn
18 wouldn't affect the...

19 MR. HOWARD STEPHENS: The Welwyn
20 situation would not, no.

21 MR. BOB PETERS: Okay. But using more
22 gas in the colder weather would probably mean that your
23 storage -- your storage in Michigan is -- was depleted?

24 MR. HOWARD STEPHENS: Because we are in a
25 position then of backhauling more gas. I mean, we did

1 not deplete our storage, but by virtue of the fact that
2 we have to backhaul more gas over the course of that
3 season gives us more opportunities to go to the secondary
4 market and market that capacity, if you will, that
5 virtual capacity, and generate revenues associated with
6 it.

7 MR. BOB PETERS: So to the contrary of my
8 suggestion, the fact that you used more gas and had to
9 backhaul more would give you more opportunity for
10 capacity management revenues then as opposed to less
11 revenue?

12 MR. HOWARD STEPHENS: Yes. That virtual
13 transportation that we're talking about is essentially
14 not backhauling the gas on Great Lakes, but developing
15 our own backhaul arrangement with a secondary --
16 secondary party and we're backhauling the gas at a
17 different rate than we would have to pay Great Lakes to
18 backhaul the gas for us.

19

20 (BRIEF PAUSE)

21

22 MR. HOWARD STEPHENS: I guess the other
23 aspect that I should add to it is in terms of -- I mean,
24 colder weather, your premise is correct insofar as we
25 will not have surplus transportation capacity

1 necessarily. We will be using all of our pipeline
2 capacity in that circumstance because that's the first
3 gas that we pull.

4 And then once the load increases to the
5 point where it's in excess of our pipeline capacity, then
6 we start serving the load with storage. So the more cold
7 weather you have, the more days you have with where the
8 exchange transactions make money, but you have no
9 opportunity then with the transportation capacity because
10 you're running that pipeline capacity at 100 percent load
11 factor already.

12 MR. BOB PETERS: In the evidence the
13 Board received from the CAC/MSOS witness, Mr. Stauff, he
14 made suggestions on capacity management which included
15 seeking advice from, perhaps, experts in that secondary
16 market as to whether there were additional revenues
17 available over and above what Centra was already
18 recovering.

19 You're familiar with his evidence?

20 MR. HOWARD STEPHENS: I am.

21 MR. BOB PETERS: And did you take from
22 his evidence that his recommendation was a two-step
23 recommendation, the first being kind of an informal
24 discussion with a number of players in the industry to
25 see what, if anything, they thought and then if there was

1 merit to that, to proceed to the formal request for
2 proposal?

3 MR. NEIL KOSTICK: Yes, that's correct.

4 MR. BOB PETERS: And in the rebuttal
5 evidence filed by Centra, the short answer was Centra
6 didn't think any further analysis was needed because it
7 had already been -- it's already essentially been done by
8 Centra?

9 MR. NEIL KOSTICK: I guess there's two
10 (2) parts to that. The first is that the entire
11 discussion was premised on a theoretical storage value
12 calculated by Mr. Stauff, and we resubmitted that
13 theoretical storage value based on what we feel are some
14 more reasonable assumptions and adding some information
15 that was omitted, and also to eliminate, in our view, an
16 upward bias built into that model.

17 Upon resubmitting and recalculating that
18 theoretical storage value, the differential between the
19 theory and the actual realized by Centra was virtually
20 insignificant or was reduced by \$4.2 million.

21 Secondly, Centra has had discussions with
22 other parties in the last couple of years, which we also
23 noted in our rebuttal evidence, in cases where marketers
24 have indicated a desire to either manage our storage or
25 provide related marketing services and, in both cases,

1 those discussions did not suggest that there was anything
2 different that Centra should be doing.

3 MR. BOB PETERS: On the face of it, would
4 you agree that Mr. Stauff's recommendation to see if
5 there was more money available for capacity management
6 makes sense from a -- from a regulatory point of view, to
7 see if there is opportunity out there?

8 MR. NEIL KOSTICK: Yes.

9 MR. BOB PETERS: And --

10 MR. HOWARD STEPHENS: Mr. Peters, I'd
11 like to stop you there. I think it makes sense from the
12 Utility's perspective, as well. And I think Mr. Kostick
13 alluded to the fact that we invite counterparts to come
14 to the table and make recommendations or give us a pitch,
15 in terms of ways that we can generate revenues.

16 When we look at some of those, I mean,
17 when we do have -- give you those counterparts'
18 invitations with respect to doing that sort of
19 transaction, or any sort of transaction, we're open to
20 it, but it has to meet the threshold and the criteria
21 that I talked about.

22 MR. BOB PETERS: Is it correct that
23 you're understanding Mr. Stauff's recommendation to deal
24 with really the winter operations of the Utility as
25 opposed to the summer operations?

1 MR. NEIL KOSTICK: That's correct.

2 MR. BOB PETERS: And at the book of
3 documents, Mr. Chairman and Board Members, at Tab 59,
4 there are some maps that should be in colour taken from
5 the Centra Application from their Tab 6, Attachment 1 and
6 2.

7 Specifically Attachment 2 is the -- the
8 map depicting the winter operations of the Utility and,
9 to some extent, this is not a new document for the Board
10 but, in essence, you understand Mr. Stauff's
11 recommendation to be to allow a counterparty to see if
12 they can make more money than Centra with the winter
13 operations of the assets owned by Centra?

14 MR. NEIL KOSTICK: We do understand what
15 is being suggested by Mr. Stauff.

16 MR. BOB PETERS: And there are
17 counterparties in the marketplace who will have
18 different, more assets than Centra and -- and who may be
19 able to put together pieces in a different order,
20 different fashion than what Centra itself is able to do?

21 MR. NEIL KOSTICK: I believe what Mr.
22 Stauff is suggesting is that Centra engage in a longer
23 term arrangement with a single party that would involve a
24 -- quite a significant volume of gigajoules over the
25 course of any given winter.

1 Centra is already engaging in those types
2 of transactions but with multiple parties on a daily
3 basis on relatively small volumes such that,
4 transactionally, we're mitigating risk through use of
5 multiple parties and relatively small daily transactions,
6 whereas Mr. Stauff's suggestion introduces new risk
7 elements, as it relates to dealing with a single party on
8 -- on a longer term arrangement, in which Centra is
9 essentially handing over an asset that has a significant
10 value.

11 MR. BOB PETERS: But you understand Mr.
12 Stauff to be saying firstly have the informal discussions
13 before you proceed to a request for proposal?

14 MR. NEIL KOSTICK: Yes.

15 MR. BOB PETERS: Is it Centra's position
16 that you've already done that?

17 MR. NEIL KOSTICK: As indicated in our
18 rebuttal evidence, yes.

19 MR. BOB PETERS: As I read the rebuttal,
20 you've had exactly two (2) conversations since 2007 with
21 a counterparty over whether or not that counterparty
22 could lever your assets for additional revenues over and
23 above what Centra has been obtaining.

24 Is that correct?

25 MR. NEIL KOSTICK: That would be two (2)

1 more formal type of conversations. However, we engage in
2 conversations with our counterparties on a regular basis
3 and various types of transactions and arrangements are
4 discussed on a regular basis.

5 MR. HOWARD STEPHENS: I'd just like to
6 add a comment with respect to this. I mean, there are
7 two (2) scenarios here.

8 What Mr. Stauff is talking about is
9 contracting out essentially, I mean, some component of
10 our hive-off, some component of our physical assets and
11 letting them go ahead and manage them and they will make,
12 I mean the equivalent or appropriate amount of gas appear
13 at our city gate.

14 So, I mean, in the example as I recall
15 they -- he talked about was taking 15 1/2 million Gjs of
16 gas and potentially selling it into the New York market.
17 Well, there's a significant amount of gas and a
18 significant amount of money associated with that.

19 Presumably, on the basis of that, the one
20 (1) counterpart as you characterized it would have a
21 number of different assets available to them or different
22 markets that are available to them that would allow them
23 to, like, disperse that gas and provide opportunities to
24 make money.

25 The other way to look at it from my

1 perspective is that we have access to all of those
2 counterparts. We have access to all of the different
3 counterparts that we deal with and the expertise that
4 they bring to the table and the different markets that
5 they bring to the table.

6 And I'm now spreading the risk of doing
7 those transactions over a vast number of counterparts as
8 opposed to being stuck with one. And from my
9 perspective, it's a far more appropriate method of
10 dealing with the asset management from a utility
11 perspective where our customers are not asking us to add
12 risk to our portfolio but to mitigate it.

13 MR. BOB PETERS: Well let's turn, Mr. --
14 Mr. Stephens, I guess, and Mr. Kostick, to the -- the
15 issue of risk that -- that's been mentioned by both of
16 the witnesses.

17 In terms of credit risk Centra already has
18 credit risk with a number of the counterparties that it
19 deals with, correct?

20 MR. HOWARD STEPHENS: Yes, sir, we do.

21 MR. BOB PETERS: And Centra manages that
22 credit risk effectively as far as Centra is concerned?

23 MR. HOWARD STEPHENS: Yes, sir.

24 MR. BOB PETERS: Hasn't been a default
25 that's cost ratepayers any money?

1 MR. HOWARD STEPHENS: Once about fifteen
2 (15) years ago. I think we had lost four thousand
3 dollars (\$4,000).

4 MR. BOB PETERS: On a -- on a credit
5 situation?

6 MR. HOWARD STEPHENS: Yes.

7 MR. BOB PETERS: Okay.

8 MR. HOWARD STEPHENS: Ever since the
9 Enron situation we have substantially bolstered our
10 credit requirements. We monitor the counterparts that we
11 -- I mean, or transact with. Now, if anybody falls below
12 investment grade or we have -- going to get word through
13 the grapevine that somebody is potentially shaky or not
14 in a very solid financial position, then we will, I mean,
15 very likely move away from dealing with those
16 counterparts.

17 I'd also to make -- make mention of the
18 fact that you -- you discussed an RFP, and we have been
19 through that process, you'll recall, a number of years
20 ago. I mean, much to my chagrin, I can remember it.

21 And the outcome of that, had we followed
22 through, we would likely be -- and I mean, the
23 counterpart that would have been successful in that
24 circumstance, which was Enron and we all know what
25 happened there, we'd likely still be in court today

1 dealing with the aftermath of that.

2 So before I'm prepared to sign off on any
3 agreement that's going to take 15 1/2 million Gjs or a
4 \$100 million worth of gas, and I don't care what the
5 contract says, I mean, I want to have absolute assurance
6 that that gas is going to be recoverable and returnable
7 to our consumers. Otherwise, the costs and the impact to
8 the Corporation could be tremendous.

9 MR. BOB PETERS: But you presently can't
10 give that to your consumers in -- in the sense, Mr.
11 Stephens, you're involved with credit risk situations
12 with a number of counterparties where cumulatively they
13 may be a large number?

14 MR. HOWARD STEPHENS: And by dispersing
15 that amongst a number of counterparts, you immediately
16 reduce the amount of risk you have with any individual
17 counterpart.

18 I mean, and nobody was a higher flyer than
19 Enron at the time when they went down the -- flushed down
20 the toilet, so...

21 MR. BOB PETERS: Are you saying that
22 there is no counterparty that Centra is aware of that you
23 would consider an adequate credit risk in which to place
24 the US storage assets in their -- in their hands?

25 MR. HOWARD STEPHENS: Given the

1 circumstances that we were talking that I was referring
2 to where we did the last RFP, the environment, at that
3 point in time, I would have characterized as dynamic,
4 very dynamic and uncertain.

5 Right now, the marketplace is in order of
6 magnitude more dynamic and uncertain. The credit
7 requirements associated with dealing with counterparts is
8 becoming tighter and tighter all the time. The number of
9 counterparts that we have available to deal with, that
10 are investment grade and that eliminate the risk that we
11 have to bear, are becoming fewer and fewer.

12 So, from that perspective, there is no
13 comparison between that -- that scenario and this
14 scenario that we're talking about right now for me to go
15 out to an RFP. All I would be doing is potentially
16 adding maybe a million dollars and I'll -- and I mean --
17 and I'll give them that, I mean, at the very optimistic
18 side, but adding a disproportionate amount of risk to the
19 portfolio, and I don't -- from my perspective, that is
20 not what Manitoba consumers are asking us to do.

21 MR. BOB PETERS: But I take from that
22 answer there are counterparties out there in which Centra
23 would be confident would be able to deliver on the credit
24 risk side of the equation, even if that wasn't your
25 preference to put all -- all your assets with that one

1 counterparty?

2 MR. HOWARD STEPHENS: The marketplace
3 right now, and Mr. Warden alluded to the fact, that the
4 financial circumstances within North America and the
5 World right now are likely as bleak as they have ever
6 been. And I mean, counterparts are looking to us for
7 financial assurances, and we're backed by the Government,
8 or the Province.

9 And so, from that perspective, I don't
10 think anybody is a good bet right now. I mean, and so --
11 I mean, I want to limit the amount of exposure I can, and
12 to the extent that we are going to have exposure, I want
13 to try and diversify as much as we possibly can.

14 MR. BOB PETERS: All right. I've
15 certainly got your point on that, Mr. Stephens.

16 I wanted to turn to the -- the volume
17 uncertainty or the volume risk. From your rebuttal
18 evidence it sounds like counterparties are -- are backing
19 away from interest in Centra's assets because of the
20 volume uncertainty that those counterparties would have
21 to meet throughout the winter months; is that the
22 suggestion?

23 MR. NEIL KOSTICK: Centra has had
24 discussions with parties that have expressed interest in,
25 for example, managing Centra's storage. And in one case

1 in particular there was an offer to supply Centra with a
2 base load amount of gas essentially to deliver to
3 Manitoba on a daily basis.

4 Obviously, our requirements from storage
5 are a lot more variable. On any given day in the winter
6 we could require zero gigajoules or over 200,000
7 gigajoules and so our experience has been when we
8 describe the volume uncertainty associated with serving
9 our market that the interest disappears in that type of
10 arrangement.

11 There may be a misconception in the idea
12 that when you look at -- at the opportunities afforded by
13 our Michigan storage that if you hand over the Michigan
14 storage that a party will be able to do all varieties of
15 transactions in the Michigan area and make money in that
16 regard, but that doesn't eliminate that party having to
17 still supply Centra in Manitoba.

18 And regardless of what assets a party
19 holds, it can't eliminate volume uncertainty. So there's
20 volume uncertainty in terms of a day-to-day basis, zero
21 gigajoules or 200,000 gigajoules. There is enormous
22 seasonal uncertainty in terms of volumes; Centra may pull
23 10 million gigajoules or 15 million gigajoules from
24 storage in any given season or less than 5 million
25 gigajoules in any given season for a spread of 10 or 11

1 million gigajoules as the potential volume uncertainty
2 over a particular season.

3 In addition to that, not only is there
4 seasonal and daily volume uncertainty but there's also
5 the fact that Centra would require to nominate storage
6 gas in the same manner as it does now which would mean
7 use of, for example, a nomination window at 5:00 in the
8 morning when markets are closed and the majority of
9 pipeline services are not available such that any party,
10 whether it's Centra or any marketer, would not have an
11 opportunity to transact on such volumes, and would be
12 constrained by the related market liquidity and timing
13 issues.

14 MR. BOB PETERS: I didn't understand that
15 5:00 a.m. issue and maybe that's because I don't get up
16 that early, but if Centra can nominate gas at 5:00 a.m.
17 why couldn't a counterparty?

18 MR. NEIL KOSTICK: They could nominate
19 gas at 5:00 a.m. if they have such a contract with
20 Transcanada. However, other parties are not in the market
21 at that time and markets such as AECO or MichCon or Dawn,
22 those markets are not trading at 5:00 in the morning.

23 So at 5:00 in the morning we may have to
24 nominate 30,000 or 40,000 gigajoules of storage gas
25 because the weather is proving to be colder and we'll

1 make that nomination based on the latest weather
2 information. Or the weather may actually turn warmer and
3 we may have to cut 30 or 40,000 gigajoules and -- and you
4 can't cut if you've already exchanged that volume or if
5 that volume has already been spoken for.

6 So essentially there needs to be
7 flexibility maintained within the portfolio to make
8 nominations of storage gas at different nomination cycles
9 during the course of the day and that's additional
10 uncertainty in addition to the absolute volume but
11 there's the timing issue, as well. And so there are
12 certainly nomination cycles during the course of a day
13 where there's going to be significant market liquidity
14 issues for any party, whether it's Centra or a marketer.

15 MR. BOB PETERS: That last answer, Mr.
16 Kostick, you're putting yourself in the -- in the shoes
17 of the marketer or the third party, correct, in terms of
18 whether it will be difficult to find a counterparty to
19 make money on a deal to get 30,000 Gjs back to Manitoba
20 on a cold morning at 5:00 a.m.?

21 MR. NEIL KOSTICK: In our view we believe
22 that it would be a similar constraint.

23 MR. HOWARD STEPHENS: Mr. Peters, I think
24 I'd like just to add to that, and you may be getting
25 tired of me adding to that.

1 There is this assumption that because
2 there is so much gas flowing by Manitoba and by Winnipeg
3 that there is lots of gas and that this is just very much
4 an accounting exercise. And I want to impress upon the
5 Board that Transcanada, given the plethora of power
6 plants on its system, is no longer as lenient or tolerant
7 of us taking gas off of their system, regardless of how
8 small a percentage it is of the total that is running by,
9 as they were in the past. They have huge loads coming on
10 with no notice and customers are paying, I mean specific
11 -- I mean very high transportation costs associated with
12 that to get that type of no-notice service.

13 If we start taking gas off of the system
14 because a third -- or a third party manager has not
15 delivered to us, we could per -- perhaps get away with it
16 for a day. But Transcanada now has the provisions within
17 their tariff that not only can they apply penalties but
18 they can physically constrain us from taking any more gas
19 than we have nominated.

20 And if we miss the last window and we
21 don't have enough gas nominated, they can come and valve
22 us off. And I mean that would propose us with a very
23 serious set of circumstances and in the -- and in the
24 winter months.

25 So that's certainly not a risk I'm

1 prepared to take.

2 MR. BOB PETERS: No longer are these
3 unauthorized takes an option, is that what you're telling
4 the Board?

5 MR. HOWARD STEPHENS: What I'm saying is
6 that the pipeline has become much more restricted. I
7 mean, and there is the -- I've heard a comment made many
8 times in many different forums, is that because we sit
9 where we sit in the middle of the pipeline and there's
10 all this gas going by -- by us that we have no real risks
11 with respect to this. Transcanada has changed their
12 tariff. They don't allow that type of flexibility where
13 you can just -- I mean, take and then pay it back later.

14 You can get away with that if they -- we
15 didn't nominate enough gas for tomorrow we could likely
16 take gas for one (1) day. But they would be on the phone
17 with us -- I mean, I would be having personal discussions
18 likely with the president of Transcanada the next day
19 saying if we don't get gas into the pipe they're going to
20 valve us off.

21 Now, you know there are all sorts of
22 political considerations associated with that and I would
23 -- I'd never get myself into that ball of wax. But
24 that's exactly why I think it's important to make the
25 point that it's not acceptable for us to get into an

1 arrangement that potentially could cause us to be short
2 gas for any number of days. And that's -- I mean there -
3 - there's allowable tolerances, in terms of imbalances,
4 but if it's significant quantities like the amount that
5 we have to nominate, the 20 or 30,000 Gj's in the morning
6 at five o'clock, and if that's not available to us, we
7 can be in -- we could be in serious jeopardy.

8 MR. BOB PETERS: And you're telling the
9 Board you're not prepared to put that risk in the hands
10 of a counterparty?

11 MR. HOWARD STEPHENS: Well, I think Mr.
12 Warden read our mission with respect to how we serve this
13 Province, and one of the key words in our mission is
14 reliable service. And I mean from my perspective,
15 security of supply is paramount. You don't live in the
16 middle of the prairies in Manitoba where you have the
17 kind of weather swings and cold weather and play around
18 with it.

19 MR. BOB PETERS: Even if that security of
20 supply comes with a price tag of a couple a million
21 dollars?

22 MR. HOWARD STEPHENS: Well, I guess the
23 other side of the coin, Mr. Peters, is that if the gas
24 doesn't materialize, the costs and damages could be far
25 in excess of a couple of million dollars; it could result

1 in lives.

2 MR. BOB PETERS: One (1) of the points
3 made in Mr. Stauft's evidence, as I read it, was that he
4 calculated a theoretical storage value and then measured
5 Centra's recoveries against that theoretical value.

6 Do you recall that evidence, Mr. Kostick?

7 MR. NEIL KOSTICK: Yes, I do.

8 MR. BOB PETERS: Now, in your rebuttal
9 evidence you -- you calculate Centra's own theoretical
10 storage value, but you're urging the Board not to put too
11 much emphasis on that theoretical calculation.

12 Would that be correct?

13 MR. NEIL KOSTICK: That's correct. We
14 don't believe that the theoretical storage value model is
15 representative of real world transactions and we have
16 demonstrated by making some small modifications to
17 certain assumptions how dramatically different the
18 theoretical storage value can -- can become.

19 MR. BOB PETERS: And when the Board looks
20 at Attachment 1 to the rebuttal evidence, which is Centra
21 Exhibit 3 in these proceedings, there was -- in the
22 '06/'07 gas year when you did your retrospective review,
23 it was interesting to note that you came out at 144
24 percent of theoretical storage value.

25 Do you recall those calculations? Is that

1 -- is that --

2 MR. NEIL KOSTICK: Yes.

3 MR. BOB PETERS: -- in fact possible, or
4 is that just to show the Board that theoretical storage
5 value shouldn't be given much weight?

6 MR. NEIL KOSTICK: The latter.

7 MR. BOB PETERS: All right.

8 MR. NEIL KOSTICK: Although I would add
9 that it would be possible -- if -- if you calculate the
10 theoretical storage value you could use any number of
11 proxies to calculate a theoretical value and it's going
12 to wind up being higher or lower than what you could do
13 in real life.

14 So in our view it doesn't show a lot of
15 relevance to the real world transactions that we're
16 engaging in.

17 MR. HOWARD STEPHENS: I want to add
18 something again, Mr. Peters, if you don't mind. There
19 is, I mean, when you look at the revenues that we
20 generate under the capacity management program, and I've
21 made this point in several -- I mean, in several of these
22 proceedings and I want to emphasize that is the number
23 that you see that we could generate in terms of revenues,
24 which is net revenues -- I mean, it goes directly against
25 the costs of gas -- do not reflect the costs that we

1 avoid, in terms of have -- not having to buy peaking
2 services, especially during the cold -- the shoulder
3 months when we -- other than these special transactions
4 that Mr. Kostick has eluded to, we are essentially
5 exposed to anything -- any type of load in excess of the
6 pipeline capacity, because we don't have access to our
7 storage.

8 On those -- in those circumstances we can
9 arrange to have gas or arrange exchange transactions
10 where we take the gas on those days and agree to give it
11 back at a later date, in lieu of having to go out and buy
12 potentially -- I mean, what could be potentially very
13 expensive peaking gas. And there are significant savings
14 associated with that in very cold weather situations,
15 especially -- not necessarily so much during the winter
16 months, but during the shoulder months like April and May
17 this year, where we've had loads that were akin to
18 February in some cases.

19 So I think it's -- it's very important to
20 recognize that although we're talking perhaps \$6 1/2
21 million dollars of revenue with carrying costs, there is
22 an avoided cost, not every year, but most years, that
23 doesn't get recognized in that overall number.

24 MR. BOB PETERS: Thank you. I've -- I've
25 got your point, Mr. Stephens.

1 realtime market value, as determined by
2 market participants competing and
3 providing transaction quotes, which is
4 the practice Centra currently engages
5 in."

6 And I tried to read quite accurately your
7 rebuttal. Do you remember that?

8 MR. HOWARD STEPHENS: Yes.

9 MR. BOB PETERS: Does the Board take from
10 that, that Centra is saying if you want to test how good
11 of a job we're doing and how much we're realizing on our
12 capacity managements, that has to be measured in
13 realtime, meaning somebody has to be standing over our
14 shoulder watching.

15 MR. HOWARD STEPHENS: I -- I would agree
16 with that. And I would take it a step further that the
17 only way that we could measure the benefits associated
18 with having our assets managed by a third party, is for
19 us to stand over their shoulder and measuring and seeing
20 what they're doing on a day-to-day basis. So it works
21 both ways.

22 MR. BOB PETERS: Mr. Kostick and Mr.
23 Stephens, Centra has outsourced its primary gas supply
24 from Western Canada to Nexen, correct?

25 MR. NEIL KOSTICK: I wouldn't agree with

1 that assessment.

2 MR. BOB PETERS: How would you describe
3 it?

4 MR. NEIL KOSTICK: We have not assigned
5 any asset to Nexen and they are not managing anything
6 that we own. The gas only becomes our gas once they
7 deliver to us at Empress and we don't pay them for that
8 gas until twenty-five (25) days after the delivery month
9 in question.

10 So nothing is being assigned. There is no
11 capital at risk. The gas becomes ours when Nexen
12 delivers it and we take it from Nexen. So they're not
13 managing any assets that we have in Alberta.

14 MR. BOB PETERS: And you see that as a
15 distinction as to what Mr. Stauff is asking, in terms of
16 the winter operation assets of the Corporation?

17 MR. NEIL KOSTICK: I believe it's a
18 significant distinction, where in the case of an asset
19 management arrangement related to storage, in our case
20 we'd be assigning capacity under several contracts on
21 several storage and pipeline transportation providers, in
22 addition to as we've seen over the last three (3) years,
23 over a \$100 million worth of storage gas.

24 MR. BOB PETERS: And hypothetically, what
25 happens if Nexen doesn't deliver to Empress and puts the

1 gas on TCPL for Centra?

2 MR. NEIL KOSTICK: Given that AECO is one
3 (1) of the most liquid markets in North America, Centra
4 will be fully capable of buying gas relative to AECO
5 indices from any number of counterparties that Centra
6 already transacts with.

7 MR. BOB PETERS: And how short a notice
8 would you be able to respond to any theoretical failure?

9 MR. NEIL KOSTICK: We could enter into
10 the market at any time on any day to buy gas.

11 MR. HOWARD STEPHENS: To recognize, in
12 that circumstance, that Nexen, although they have some of
13 their own reserves, are marketing gas from different
14 producers. That gas is still available in the
15 marketplace if they fail to deliver or make good on our
16 request of them.

17 So, in that circumstance, the gas is still
18 available in Alberta for us to, I mean, go and buy from
19 those very same counterparts. So it's not a matter that
20 the gas doesn't exit, it's just a matter that -- a matter
21 of the transaction to get the gas here.

22 MR. NEIL KOSTICK: And just to qualify my
23 last answer, we could buy gas any time that markets are
24 open, of course.

25

1 (BRIEF PAUSE)

2

3 MR. BOB PETERS: Just to conclude that
4 discussion, Mr. Stephens and Mr. Kostick, while I was
5 posing the theoretical and the hypothetical, can you
6 confirm to the Board that there have been no delivery
7 problems from your primary gas supplier in Western
8 Canada, Nexen?

9 MR. HOWARD STEPHENS: Nexen has performed
10 in an excellent fashion.

11 MR. BOB PETERS: I'd like to turn to the
12 US storage assets. And what the evidence seems to
13 disclose is that there's 15.5 million gigajoules of
14 storage capacity in northern Michigan.

15 Have I got that right?

16 MR. NEIL KOSTICK: That's correct.

17 MR. BOB PETERS: And that's often called
18 ANR, which is the Company that has the storage and
19 related transportation?

20 MR. NEIL KOSTICK: That's correct.

21 MR. BOB PETERS: And that -- that is seen
22 on the winter operations map at PUB book of documents 59,
23 that we've talked about.

24 Your arran -- Centra's arrangement with
25 ANR expires March 31st of 2013.

1 Is that correct?

2 MR. NEIL KOSTICK: Yes.

3 MR. BOB PETERS: From what I'm hearing,
4 is an exponentially dynamic market from what it used to
5 be, I take it Centra now is starting to think about what
6 to do after March 31st of 2013, in terms of how to meet
7 its Manitoba load.

8 MR. NEIL KOSTICK: Correct.

9 MR. BOB PETERS: But am I also correct to
10 say that, at this point, Centra is, in essence,
11 monitoring the situation, but they're planning to wait
12 until 2011 before making any decisions?

13 MR. NEIL KOSTICK: Given the scope of the
14 analysis that will need to be undertaken, Centra intends
15 to be fully engaged in that process in 2009 and through
16 much of 2010, such that it will be in a position to make
17 changes, or at least plan the changes, to its portfolio
18 in 2011, in advance to the 2013 contract expiries.

19 MR. BOB PETERS: Can you explain to the
20 Board briefly, Mr. Kostick, what the Corporation will be
21 doing in the 2009 and 2010 years, relative to the pending
22 expiration of its agreement with ANR?

23 MR. NEIL KOSTICK: At a high level, the
24 activities that we'll be engaging in would include
25 engaging with a consultant to assist us with a portfolio

1 strategy and analysis, holding discussions with various
2 storage and transportation providers, with the ultimate
3 goal of having those parties provide proposals to Centra.
4 There will be a comprehensive analysis the market.
5 Sensitivity modelling will be conducted under various
6 possible portfolios and under different market and
7 weather conditions, and there will be a stakeholder
8 consultation plan.

9 MR. BOB PETERS: As we sit here, Mr.
10 Stephens, can you confidently tell the Board that the ANR
11 arrangement for the 15.5 million gigajoules a year is
12 less expensive for Manitoba consumers than any other
13 option that you're aware of?

14 MR. HOWARD STEPHENS: Today?

15 MR. BOB PETERS: Yes.

16 MR. HOWARD STEPHENS: Yes, sir,
17 absolutely. We are essentially buying storage -- storage
18 and transportation service that was signed in 1993 with a
19 fixed revenue requirement. So essentially we are getting
20 the same -- paying the same price for a storage --
21 storage -- a set of storage services, if you will, at the
22 same price that we initially signed the contract at.

23 So in the sunset years it becomes more
24 attractive, as years passed.

25 MR. BOB PETERS: If my recollection of

1 history is correct, the precipitating incident to get
2 Centra to go to storage in northern Michigan was to avoid
3 having to pay demand charges to Canadian suppliers to
4 bring gas in from western Canada?

5 MR. HOWARD STEPHENS: Yes, that was
6 Transcanada Gas Services or no -- Western Gas Marketing
7 or any one of them, different monikers that they went by
8 at the time, they introduced the concept to us that
9 giving us five (5) years notice that they were going to
10 implement a demand charge to encourage us to improve our
11 load factor on -- off of their system. They were the
12 only game in town, in terms of buying gas from.

13 At the time we were buying gas from them
14 at a 50 percent load factor they were going to implement
15 a demand charge on the contracts, which would have added
16 \$29 million worth of costs to our contract at that point
17 in time, had we not put storage in place. So it gave us
18 a great deal of incentive to get something in place to
19 deal with our load factor considerations.

20 MR. BOB PETERS: And the storage
21 arrangements came in cheaper and hence you've said the
22 value to Manitoba gas consumers continues to this day.

23 MR. HOWARD STEPHENS: Ever increasingly
24 so, yes.

25 MR. BOB PETERS: Is renewal of the ANR

1 arrangement an option that's on the -- on the list?

2 MR. HOWARD STEPHENS: Certainly it's -- I
3 mean, it's on the list. As to whether or not they're
4 prepared to renew it at the same price or not it's
5 another matter entirely. I'd suggest very unlikely but I
6 don't want to speak for them.

7 We will be looking very comprehensively at
8 what we're -- what we will replace the ANR arrangements
9 with. I don't know what that's going to look like right
10 now. It may be something as very, very simple and very
11 short term because of the uncertainty in the marketplace
12 right now.

13 And I don't want to sign a long term
14 contract that -- well I may not be around to speak to it,
15 you know, for the -- during the latter years of it, but I
16 don't want to leave the Company with a legacy that is not
17 going to be economic or beneficial to the consumers. So
18 we may make a short term arrangement until we see -- if
19 we ever see some more certainty within the marketplace.

20 MR. BOB PETERS: Has the Corporation
21 concluded that it absolutely needs storage arrangements?

22 MR. HOWARD STEPHENS: We've come to no
23 conclusions, with respect to anything with respect -- in
24 respect to our new arrangements.

25 MR. BOB PETERS: All right. So you're

1 not telling the Board whether you need storage at all, or
2 you're not also prepared to say whether you need more or
3 less storage than you currently hold?

4 MR. HOWARD STEPHENS: That's correct.

5 MR. BOB PETERS: If we look at the book
6 of documents to Tab 62, perhaps not at first, but on
7 second glance there's actually an interesting graph on
8 the ANR storage arrangement.

9 MR. HOWARD STEPHENS: I see it.

10 MR. BOB PETERS: Before -- before I get
11 there Mr. Stephens, you had mentioned that in -- in the --
12 - when the 1993 contract was being entered with ANR, the
13 load factor under which the Company was operating was in
14 the range of 50 percent and today it's in the
15 neighbourhood of 83 percent?

16 MR. HOWARD STEPHENS: Yes. Our current
17 pipeline load factor is 83 percent, so our storage has
18 helped us move our prior purchase load factor up from 50
19 percent to the 83 percent. Our actual sales load factor
20 is more like 30 percent.

21 MR. BOB PETERS: Although not the last
22 two (2) months I'm pretty sure. It -- intuitively seems
23 to suggest with the pipeline load factor increasing with
24 storage that the more storage you have, then the -- the
25 less firm transportation you might need.

1 MR. HOWARD STEPHENS: That's correct. I
2 mean, and the way the situation looks right now, given
3 the current rates, when we have to de-contract or as we
4 see our load shrink -- and the reason that we de-
5 contracted on the Transcanada system is that you look at
6 the most expensive asset to serve the market, and you
7 divest yourself of that.

8 And Transcanada, given its ever-increasing
9 tolls, is looking less and less attractive all the time,
10 so if we have room to manoeuvre, that's -- I mean, the
11 pipeline is the first thing that we look at.

12 MR. BOB PETERS: Turning to book of
13 documents Tab 62, Mr. Chairman and Board members, when --
14 when the Board studies this further, Mr. Kostick and Mr.
15 Stephens, does it suggest that in all but two (2) years
16 Centra used 100 percent of its storage volumes?

17

18 (BRIEF PAUSE)

19

20 MR. HOWARD STEPHENS: I can tell you,
21 sir, that regardless of what this map may show is that it
22 is not, I mean, the rule that we utilize all of our
23 storage capacity. We've only utilized our full storage
24 capacity in one (1) year that I know of in my -- and
25 that's in my fifteen (15) years of experience in gas

1 supply, and come close in another two (2) years, but...

2 MR. BOB PETERS: I was trying to follow
3 the blue line which I understood to be the primary gas
4 that was put in storage, and seeing that in February of
5 most years it's either fully depleted or very close to
6 it.

7 And you're telling me that would be an
8 incorrect interpretation of the materials?

9 MR. HOWARD STEPHENS: That would be an --

10 MR. NEIL KOSTICK: Just to clarify what
11 we're looking at on the line graph, I believe your
12 initial question, Mr. Peters, if I heard it correctly,
13 was related to all storage gas. And, no, it would be
14 very infrequent that we would deplete storage gas
15 entirely.

16 However, the blue line indicates that at
17 the end of March, on a year-to-year basis, there are
18 certainly years when primary gas is completely depleted,
19 although, generally speaking, there is some level of
20 supplemental gas left in storage at the end of the winter
21 which is at the end of March.

22

23 (BRIEF PAUSE)

24

25 MR. BOB PETERS: Mr. Stephens, in prior

1 discussions to the Board, you had indicated that storage
2 options didn't have to be confined geographically to
3 northern Michigan, but there was prospect of storage
4 capabilities in either Saskatchewan or western Manitoba.

5 Do you recall that?

6 MR. HOWARD STEPHENS: I do, indeed.

7 MR. BOB PETERS: Are those storage
8 options still available?

9 MR. HOWARD STEPHENS: Yes.

10 MR. BOB PETERS: And are they on your
11 list to explore?

12 MR. HOWARD STEPHENS: Yes, sir.

13 MR. BOB PETERS: Would they have the same
14 effect of increasing the pipeline load factor and
15 decreasing the quantity of pipeline space you would need
16 on a firm basis?

17 MR. HOWARD STEPHENS: Qualified yes, sir.

18

19 MR. BOB PETERS: Is the "yes" qualified
20 because it is, in essence, still between you and the
21 sedimentary basin where this comes from that you -- you'd
22 still need the ability to forward haul it?

23 MR. HOWARD STEPHENS: Well, it depends on
24 the nature of the storage that you take, which one you
25 pick. If it's the -- if you pick, say, a site in

1 Manitoba with a considerable volume, we potentially may
2 build our own pipe and bring it to the load centre.
3 There are a variety of different factors that come to
4 play.

5 So for me to give you an absolute answer
6 without going through all the numbers and the economics
7 associated with it would be, I mean, premature.

8 MR. BOB PETERS: Will Centra be dusting
9 off the old study that was done relative to whether or
10 not it was optimizing its delivery to Manitobans and then
11 updating it with new numbers to see if it is still the
12 preferred option?

13 MR. HOWARD PETERS: We will be dusting
14 off more than just the last one, but the one prior to
15 that, as well, because it had some very interesting
16 numbers in it with respect to daily storage, which is a
17 significant storage facility in Manitoba.

18 And now that we have the access to more
19 capital as part of being a part of a larger corporation,
20 it may be more economic for us to manage that. That
21 certainly will be something that we look at.

22 MR. BOB PETERS: And that's going to be
23 all reflected in the work-up of the plan that is going to
24 lead to the Corporation being in a position in
25 approximately 2011 to make plans or finalize plans

1 relative to what to do when the ANR arrangement expires?

2 MR. HOWARD STEPHENS: As I indicated
3 before we may or may not have the final solution in place
4 by the time that the existing contracts run out. We may
5 have interim arrangements, if you will, in place if that
6 is required.

7 I -- or we may terminate the existing
8 agreement early. I mean, I think it would have to be an
9 extraordinary circumstance that we find a set of assets
10 that would encourage us to terminate the existing ANR
11 arrangements, but that is always a potential.

12 So I mean we're looking at it from a very
13 -- and I hate the word -- to use the words "blank page"
14 but we are looking at it from a very open perspective.

15 MR. BOB PETERS: You remember the origin
16 of those words I take it?

17 MR. HOWARD STEPHENS: I think -- I think
18 I was the one that -- I let them pass my lips.

19 MR. BOB PETERS: Mr. Stephens, you had
20 mentioned the daily storage field and eluded to the fact
21 that you may have access to more capital. And on
22 reflection of that answer are suggesting to the Board
23 that one (1) of the limitations in not using Manitoba
24 storage was -- was the cost of it the last time it was
25 looked at?

1 your left to Mr. Warden, wondering if access to capital
2 has been made easier as a result of the shares being
3 owned by Manitoba Hydro?

4 MR. HOWARD STEPHENS: No, I'll have to
5 make a business case to Mr. Warden and he'll either say
6 yes or no, Howard, go back to the drawing board.

7 MR. BOB PETERS: And, Mr. Howard -- Mr.
8 Stephens, if the -- if the lead time isn't sufficient in
9 which to construct what ultimately is chosen as the
10 preferred option, then you're telling the Board there may
11 be interim arrangements that can be made to bridge that
12 short period of time?

13 MR. HOWARD STEPHENS: That's correct. I
14 mean, it is our intention. I mean, and given the most
15 likely outcomes, I mean we still have more than
16 sufficient time to make those decisions prior to the ANR
17 contract expiring.

18 MR. BOB PETERS: And Centra will want the
19 cost consequences of any new arrangements to be included
20 in rates and paid for by your ratepayers?

21 MR. HOWARD STEPHENS: Certainly.

22 MR. BOB PETERS: And because of that you
23 will want the approval of those costs by this Board?

24 MR. HOWARD STEPHENS: I would presume so,
25 yes, sir.

1 MR. BOB PETERS: Will that be in advance
2 of entering into binding agreements, or will that be
3 subsequent?

4 MR. HOWARD STEPHENS: I think I'll rely
5 upon -- I mean upon somebody from our regulatory groups
6 to tell me which approvals we're going to get in advance
7 or afterwards. I think we're always subject to -- I mean
8 demonstrating prudent acquisitions, so from that
9 perspective whether the Board wants -- I mean wants us to
10 come before them before or after is neither here nor
11 there to me.

12 MR. BOB PETERS: Mr. Chairman, I want to
13 turn to a new topic that's going to take fifteen (15) or
14 twenty (20) minutes and maybe -- maybe this would be an
15 opportune time for an afternoon recess and I'll resume on
16 the return.

17 THE CHAIRPERSON: Very good, Mr. Peters.

18

19 --- Upon recessing at 2:40 p.m.

20 --- Upon resuming at 3:03 p.m.

21

22 THE CHAIRPERSON: Okay, welcome back.

23 Mr. Peters...?

24

25 CONTINUED BY MR. BOB PETERS:

1 MR. BOB PETERS: Thank you, Mr. Chairman.
2 I'd like to turn to the topic of the gas supply contract
3 with the panel of witnesses. And as I understand the
4 evidence, a company known as ICF has been hired to report
5 on the options for gas supply, starting November 1st of
6 2009.

7 Is that correct?

8 MR. NEIL KOSTICK: That's correct.

9 MR. BOB PETERS: As we sit here today,
10 has that contract been finalized?

11 MR. NEIL KOSTICK: It has not.

12 MR. BOB PETERS: So ICF -- and, Mr.
13 Stephens, I think you were here the last time I was --
14 that is now -- ICF is the successor company to EEA that
15 the Board may have been familiar with the last time you
16 were looking for some contractor to assist with your long
17 term gas --

18 MR. HOWARD STEPHENS: That's correct.

19 MR. BOB PETERS: Okay. And, Mr.
20 Stephens, in 2007 when EEA provided a report to this
21 Board, their recommendation, in essence, was to renew
22 with Nexen.

23 Is that correct?

24 MR. HOWARD STEPHENS: That's correct.

25 MR. BOB PETERS: And in fact you did

1 that. Centra did that?

2 MR. HOWARD STEPHENS: We did.

3 MR. BOB PETERS: And now you have hired
4 essentially the same -- at least one (1) one of the same
5 people, to provide you with advice as to what to do, come
6 November 1st of '09, which is the expiry date of the --
7 or the day after the expiry of the Nexen agreement.

8 MR. HOWARD STEPHENS: That's correct.

9 MR. BOB PETERS: I didn't put the entire
10 report from ICF into the book of documents, but one (1)
11 of the indications that I glean is that ICF is alerting
12 Centra that gas will become more expensive priced in
13 Alberta relative to other hubs.

14 Do you understand that to be one of their
15 recommendations?

16 MR. NEIL KOSTICK: ICF, I think,
17 identifies the possibility that there could be increased
18 volatility in the AECO market and potentially higher
19 prices.

20 MR. BOB PETERS: And that's because, Mr.
21 Kostick, there's increased consumption in the Province of
22 Alberta or increased demand certainly for gas within the
23 province?

24 MR. NEIL KOSTICK: Intra-Alberta demand
25 would be a significant factor.

1 MR. BOB PETERS: And there'll be less
2 available for the Transcanada Pipeline then to be
3 exported out of the province?

4 MR. NEIL KOSTICK: That's a possibility.

5 MR. BOB PETERS: And I think there's also
6 the possibility that other supplies from US sources --
7 sorry, like other midwest sources will also be requiring
8 some Alberta gas, making it more -- more in demand.

9 MR. NEIL KOSTICK: Could you repeat the
10 question?

11 MR. BOB PETERS: Well, was one of the
12 reasons that Alberta AECO priced gas will become more
13 volatile and perhaps more expensive, is because that gas
14 is now being purchased by other markets such as the
15 midwest and even the northeast United States?

16 MR. NEIL KOSTICK: Some Alberta supply
17 may leave Alberta via other pipelines and hit eastern
18 markets.

19 MR. BOB PETERS: Another factor in
20 driving up the price of Alberta gas?

21 MR. NEIL KOSTICK: Possibly.

22 MR. BOB PETERS: But Centra has no option
23 but to procure the gas from the Western Canadian
24 Sedimentary Basin; would that be true?

25 MR. NEIL KOSTICK: Not necessarily.

1 MR. BOB PETERS: What would be an example
2 of how you could bring gas to Manitoba other than from
3 Western Canada?

4 MR. NEIL KOSTICK: Physically the gas
5 would, of course, flow from Alberta west to east through
6 Manitoba but through backhaul arrangements gas could be
7 sourced from other supply basins or market areas.

8 MR. BOB PETERS: And the reason you would
9 investigation that, Mr. Kostick, is because the price
10 from those other hubs would be cheaper than from Alberta
11 Energy Company, the AECO hub in Alberta?

12 MR. NEIL KOSTICK: If it became a
13 consideration to buy gas elsewhere it could be because
14 the supply is cheaper or because the transportation costs
15 to get the gas to Manitoba via a notional backhaul or if
16 other transportation became available, we'd look at the
17 net overall cost factoring in fixed and variable and
18 commodity costs.

19 MR. BOB PETERS: Is the AECO hub the
20 cheapest priced hub now except for Oklahoma?

21 MR. NEIL KOSTICK: There are several hubs
22 that may be cheaper than Alberta, Oklahoma being one (1)
23 of them currently.

24 MR. BOB PETERS: What other ones do you
25 think are cheaper than Alberta at this time?

1 MR. NEIL KOSTICK: Gas from the Rockies
2 may be cheaper.

3 MR. BOB PETERS: The recommendation from
4 ICF is in essence suggesting Centra may want to price
5 their gas off Chicago rather than off of AECO; is that
6 correct?

7 MR. NEIL KOSTICK: I believe they made a
8 recommendation, or perhaps to rephrase my wording, not a
9 recommendation but they analyzed acquiring a portion of
10 supply from the Chicago market and they analyzed the
11 impact of that on Centra's overall supply costs.

12 MR. BOB PETERS: But perhaps as you've
13 eluded to earlier even if Centra prices off of the
14 Chicago market, the physical molecules are going to flow
15 from Alberta?

16 MR. NEIL KOSTICK: That's correct.

17 MR. BOB PETERS: So it then becomes a
18 matter of the -- the pricing hub itself and the
19 differential to transport it from wherever it's priced to
20 Winnipeg?

21 MR. NEIL KOSTICK: Yes.

22

23 (BRIEF PAUSE)

24

25 MR. BOB PETERS: Can you explain to the

1 Board where you are in the procedure in terms of getting
2 -- getting responses to your request for a new contract?

3 MR. NEIL KOSTICK: We've received
4 proposals and we are in the process of negotiation.

5 MR. BOB PETERS: How many proposals; can
6 you tell me that?

7 MR. NEIL KOSTICK: We received six (6)
8 proposals.

9 MR. BOB PETERS: Can you tell the Board
10 how many -- how many requests for proposal you sent out?

11 MR. NEIL KOSTICK: We issued the RFP to
12 approximately fifty (50) counterparties.

13 MR. BOB PETERS: Is the response what you
14 expected or is it higher or lower than expected?

15 MR. NEIL KOSTICK: It's roughly in the
16 ballpark of what we expected.

17 MR. BOB PETERS: Well, why do you suspect
18 as many as forty-six (46) or forty-four (44) didn't
19 respond?

20 MR. NEIL KOSTICK: Some of the
21 counterparties may not be active in the Alberta market;
22 they may not have a large presence in the -- in the areas
23 where they would most likely want to source supply in
24 order to serve the Manitoba market or to supply us at
25 Empress anyways.

1 MR. BOB PETERS: So you've now -- Centra
2 has now received proposals from six (6) counterparties
3 and you're being assisted by ICF in preparing score cards
4 to record the results and the replies from those six (6)?

5 MR. NEIL KOSTICK: That's correct.

6 MR. BOB PETERS: In terms of what was
7 requested of the counterparties, am I correct that you
8 went to all fifty (50) of them and said, Here's our
9 current arrangement, give us your best price under the
10 exact same arrangement and if you have any other creative
11 ideas, add them on as well?

12 MR. NEIL KOSTICK: We provided a pro
13 forma formula essentially for the bidders to -- to bid on
14 essentially for 100 percent of Centra's requirements and
15 also for 50 percent of Centra's requirements and then if
16 they had any alternatives they were free to make those
17 alternate proposals.

18 MR. BOB PETERS: Centra wanted a standard
19 fact situation price by each counterparty. Is that
20 correct?

21 MR. NEIL KOSTICK: I'm sorry I didn't
22 quite catch your entire --

23 MR. BOB PETERS: Centra wanted a standard
24 fact situation priced by each counterparty?

25 MR. NEIL KOSTICK: We wanted to be able

1 to make an apples to apples comparison. In the -- the
2 last time that we RFPed the gas supply contract we got a
3 lot of -- or we got a number of proposals that did not
4 address our requirement so we wanted to provide some
5 guidance as far as what type of proposals would meet our
6 requirements.

7 MR. BOB PETERS: Was your standard fact
8 situation, Mr. Kostick, your existing Nexen agreement?

9 MR. NEIL KOSTICK: It would not be
10 exactly like our Nexen agreement but similar.

11 MR. BOB PETERS: Your Nexen agreement
12 would not be unknown to the six (6) counterparties who
13 are at least interested in supplying at this point in
14 time?

15 MR. NEIL KOSTICK: The parties could
16 likely find a copy of the contract if they tried.

17 MR. BOB PETERS: Or if they asked? Yeah?
18 If they asked you'd provide it?

19 MR. NEIL KOSTICK: We indicated where
20 they would be able to find it but we didn't directly
21 provide it.

22 MR. BOB PETERS: You also told the Board
23 that when you have six (6) proposals you're now in
24 negotiations. Does your request for proposal indicate
25 that once you get the responses you're going to sit down

1 and negotiate with each of the six (6) who have responded
2 or do you have to make a selection before you start
3 negotiating as to who you wish to -- to work with?

4

5 (BRIEF PAUSE)

6

7 MR. HOWARD STEPHENS: Mr. Peters, I don't
8 know that it's necessarily appropriate for us to get into
9 the nitty gritty of how we were going through this
10 process right now. I don't want to compromise the
11 process so, certainly, I'll be happy to answer your
12 questions at some time in the future when we put a
13 contract in front of the Board.

14 MR. BOB PETERS: All right. Suffice it
15 to say and I'm not -- not looking to disclose anything
16 that would be considered disadvantageous.

17 Mr. -- Mr. Stephens, I don't mean to
18 compromise any information that would put Centra at a
19 disadvantage in negotiations so don't take my questions
20 as going there, but your process now allows you to
21 negotiate with the parties to see if you can come up with
22 the best deal?

23 MR. HOWARD STEPHENS: That's correct.

24 MR. BOB PETERS: And the parties are well
25 aware that they will be subject to negotiations with you

1 -- with Centra?

2 MR. HOWARD STEPHENS: That's correct.

3 MR. BOB PETERS: And when a document or
4 when a party has been selected is ICF going to help you
5 select the party or is that Centra's decision and only
6 Centra's decision?

7 MR. HOWARD STEPHENS: The -- ICF was hired
8 to assist us in that process.

9 MR. BOB PETERS: And once you selected
10 the party and entered into a contract, a copy of that
11 contract will in due course be provided to the Board?

12 MR. HOWARD STEPHENS: Yes.

13 MR. BOB PETERS: And again, I'll throw
14 out the question, is it anticipated that the contract
15 will be conditional upon this approval from this Board or
16 will you simply seek the rate as -- as -- sorry, you will
17 seek the rate consequences?

18 MR. HOWARD STEPHENS: The gas cost
19 consequences associated with it, yes.

20 MR. BOB PETERS: Okay. You'll seek the
21 gas consequences in rates from this Board and not the
22 approval of the contract itself?

23 MR. HOWARD STEPHENS: That's correct.

24 MR. BOB PETERS: Without getting into
25 specifics, is consideration of the supply by the brokers

1 and marketers a factor that's being considered in the
2 negotiations with the counterparties?

3 MR. NEIL KOSTICK: As part of the
4 requirements of the RFP, we require that the same
5 flexibility that we have in the Nexen contract be
6 incorporated into the new contract.

7 MR. BOB PETERS: In terms of time line,
8 Mr. Kostick, what is envisioned as the time line for
9 concluding an arrangement for gas to flow November 1 of
10 '09?

11

12 (BRIEF PAUSE)

13

14 MR. HOWARD STEPHENS: Mr. Peters, could
15 you run that question by us again?

16 MR. BOB PETERS: I was wondering, Mr.
17 Stephens, if you could give the Board an idea of the time
18 line for Centra to conclude its arrangement to replace
19 the Nexen contract which is expiring October 31st of
20 2009?

21 MR. HOWARD STEPHENS: We'll have it
22 completed over the course of the summer at the latest.

23 MR. BOB PETERS: And then the Board would
24 expect to see this at a Cost of Gas Hearing again that's
25 planned for the Fall of 2009?

1 MR. HOWARD STEPHENS: I would envision
2 that, yeah.

3 MR. BOB PETERS: Before I leave the
4 topic, and in general terms, not related to any of the
5 specific six (6) counterparties, but if a gas supplier
6 becomes insolvent or bankrupt, how is Centra and its
7 ratepayers protected?

8 MR. HOWARD STEPHENS: Our contracts all
9 have provisions for insolvency, defaults, et cetera,
10 wherein if a counterpart fails in its obligations, we can
11 immediately replace the supplies, and we reserve the
12 right to charge them -- I mean, and sue them for damages.

13 So to the extent that we incur incremental
14 costs or as a result of the contract being terminated and
15 us not being able to access gas and we have actual, you
16 know, physical damage within the system, or any one of a
17 number of different events, we can -- we have recourse in
18 that respect.

19 MR. BOB PETERS: Is there any security
20 posted by your gas supply counterparty against which the
21 recourse is exercised?

22 MR. NEIL KOSTICK: I would note that, at
23 any given time, our supplier is likely owed by Centra
24 potentially tens of millions of dollars at any given
25 time. And so the vast credit risk is with the supplier.

1 And Centra is only exposed to the degree that if it has
2 to go out and buy gas that the supplier didn't deliver,
3 the potential differential between what we would have
4 paid Nexen and what we would have paid in the market
5 would be what we would be exposed to, so many orders of
6 magnitude smaller than what the supplier is exposed to in
7 terms of how much its owed by Centra at any given time,
8 given that Centra doesn't pay the supplier until the 25th
9 day after the delivery month, which could be tens of
10 millions of dollars.

11 MR. BOB PETERS: Has Centra posted credit
12 with the gas supply counterparties?

13 MR. HOWARD STEPHENS: We haven't to date.
14 There are some requests for that though.

15 MR. BOB PETERS: You're saying some
16 requests for that in perhaps the six (6) proposals that
17 the Company is considering.

18 MR. HOWARD STEPHENS: Now, you're trying
19 to narrow me down too much.

20 MR. BOB PETERS: Well, you all --

21 MR. HOWARD STEPHENS: I got to play my
22 cards closer to my chest here.

23 MR. BOB PETERS: All right. I'll
24 withdraw the question because I understand -- I
25 understand where it would be headed.

1 I want to turn to broker issues, and at
2 Tab 63 of the book of documents there's an answer from
3 Centra to PUB/CENTRA-17A and of particular note, Mr.
4 Chairman and Board members, is page 1 of 6 of the
5 attachment. It's one of the more lengthy documents, I
6 think, included in the book of documents, but page 1 of 6
7 on the attachments.

8

9 (BRIEF PAUSE)

10

11 MR. BOB PETERS: I have it at Tab 63
12 Attachment 1, or attachment page 1 of 6, and it's
13 landscaped on the pages in your book of documents.

14 Page 1 of 6 talks about the number of
15 customers by customer class and it gives a breakdown of
16 the Western Transportation Service at line -- at line 15.

17 And at line 15, that would be a reflection
18 of the actual residential customers up until 2007/'08 and
19 then a forecast thereafter of the residential customers
20 who are procuring their primary gas through a broker?

21 MR. BRENT SANDERSON: Yes, that's
22 correct, Mr. Peters.

23 MR. BOB PETERS: And so in the 2009/'10
24 year Centra is forecasting forty-two thousand nine
25 hundred (42,900) customers will be getting their primary

1 gas by way of broker supply?

2 MR. BRENT SANDERSON: While I'm not
3 probably the best person to be going into depth about the
4 forecasting methodologies used by our market forecast
5 group, I can say that for all intents and purposes when a
6 customer forecast is prepared there's very little in the
7 way of assumptions that our market forecast people can
8 exercise in terms of forecasting changes in the market
9 share held by brokers.

10 There are so many different factors that
11 will affect the share to market that -- that the brokers
12 or marketers are supplying that, for all intents and
13 purposes, they merely extrapolate out the market share
14 that the brokers have at the time the forecast is
15 prepared with minor adjustments for disconnections for
16 nonpayment and so forth. So you can just consider that
17 extrapolating the actual case at the time the forecast
18 was prepared into the future.

19 MR. BOB PETERS: And we see, Mr.
20 Sanderson, on page 2 of 6 of the same attachment, if we
21 follow it through to the line 15 across to the '09/'10
22 year as well as '10/'11 year, the forecast increases by
23 .8 percent a year in terms of number and that appears to
24 be the -- the forecast variable that they've applied to
25 the number of customers.

1 MR. BRENT SANDERSON: That would appear
2 so. What that .8 percent constitutes I think probably
3 would be better answered by Mr. Kuczek when he takes the
4 stand in the next panel.

5 MR. BOB PETERS: Okay, I get your
6 message. Likewise, you're not aware -- and I should
7 perhaps ask Mr. Kuczek -- when -- whether the Corporation
8 is aware of what point in time or even what years
9 contractual arrangements expire for a number of
10 customers?

11 MR. BRENT SANDERSON: I don't think Mr.
12 Kuczek would be aware of any information regarding to the
13 expiry of existing marketer agreements if that's what
14 you're referring to.

15 MR. BOB PETERS: I was and he would no
16 longer be aware of that?

17 MR. BRENT SANDERSON: As the manager
18 responsible for direct purchases I can assure you that he
19 will not have that -- neither has -- neither has access
20 to that information nor will he in the future.

21 MR. BOB PETERS: The last time the Board
22 saw the projections for direct purchase residential
23 customers there was a forecast of approximately sixty-two
24 thousand (62,000) residential customers for 2008/'09 and
25 the number comes in probably pretty close to forty-two

1 thousand (42,000) it looks like. Are you aware as to why
2 there would be a difference?

3 MS. MARLA MURPHY: Mr. Peters, I think
4 these questions are better directed to Mr. Kuczek. Mr.
5 Sanderson's trying to help but this is an area that Mr.
6 Kuczek should be speaking to.

7 MR. BOB PETERS: All right. I'll try to
8 remember to ask him those and I'm sure he's reading the
9 transcript every night in any event.

10 Does this panel, Mr. Sanderson, have an
11 appreciation for the results and the impacts of Board
12 Order 109/'08 when this Board gave an order relative to
13 the natural gas landscape and the new code of conduct to
14 apply?

15 MR. BRENT SANDERSON: When you say an
16 "appreciation of" maybe you could be more specific?

17 MR. BOB PETERS: All right. In the new
18 Code of Conduct it is now permitted -- tele-sales and
19 Internet sales are now permitted; is that correct?

20 MR. BRENT SANDERSON: Yes, sir, that's my
21 understanding.

22 MR. BOB PETERS: And have you any
23 appreciation as to whether that has led to more customers
24 signing up under those methodologies or whether there's
25 been any take-up on that?

1 MR. BRENT SANDERSON: I'm not privy to
2 the marketers' relative success, or lack thereof, of
3 availing themselves of different marketing channels. All
4 I can say is that the marketers' share of the primary gas
5 market in Manitoba is on -- has been in a downward
6 trending direction for the past couple of years.

7 MR. BOB PETERS: To what do you attribute
8 that or does Centra attribute that?

9 MR. BRENT SANDERSON: I could not say.
10 It would just be a guess on my part.

11 MR. BOB PETERS: One thing you -- you can
12 tell the Board is that by the Board removing the
13 volumetric threshold for brokers to sign up customers,
14 that's created, it appears, some additional work for
15 Centra?

16 MR. BRENT SANDERSON: For a period of
17 time it did. The current situation -- the -- the
18 pressure has come off somewhat in -- in the past month or
19 two.

20 MR. BOB PETERS: There was also a concern
21 that marketers didn't have to submit images of the
22 contracts anymore, and that could cause a priority
23 problem if a customer -- a customer's address comes up
24 under two (2) different brokers?

25 MR. BRENT SANDERSON: Well, in the

1 interest of being fair and being able to provide the
2 utmost level of service to the marketers, in the past
3 there -- it's not been infrequent that more than one (1)
4 marketer would sign the same customer for a given flow
5 date.

6 And in the -- during the period of time in
7 which we had images of the agency agreements, we were
8 able to adjudicate on a -- on a fair basis and determine
9 which marketer signed the customer first and ensured that
10 on a first come first served basis the marketer who
11 signed the customer first, that's the marketer with which
12 the customer flowed.

13 In the absence of any details as to the
14 date of the execution of the agency agreement, we were
15 forced to reject both multiple submissions when multiple
16 marketers submitted the same customer for a given flow.

17 Initially, when -- shortly after the
18 period in time at which the brokers are no longer
19 required to sign or submit agency agreements to Centra,
20 there was quite a significant number of those multiple
21 sign-ups, but, again, that has waned in recent months and
22 it's not become as much of a problem.

23 And the marketers seem comfortable with
24 the fact that they will both be rejected in the cases of
25 multiple submissions, and they seem to be ready and

1 willing to accept the -- that outcome as a result of not
2 having to submit agency agreements with Centra any
3 longer.

4 MR. BOB PETERS: So Centra then is not
5 asking for a date field to be included on the
6 applications to establish priority anymore?

7 MR. BRENT SANDERSON: It -- it's not a
8 priority in our minds at this point in time, no.

9 MR. BOB PETERS: And in terms of brokers
10 submitting spreadsheets, the frequency of that is
11 satisfactory as it works out today? You're not looking
12 for them to be batched or held back and submitted only
13 weekly?

14 MR. BRENT SANDERSON: They've been fairly
15 reasonable working with us in trying to manage the
16 workflow and keep it at a reasonable level and avoid
17 multiple submissions of daily submissions of one (1) and
18 two (2) and three (3) customers.

19 And, so, not with -- if -- if it were to
20 become a significant problem in the future and become
21 unmanageable, we may be -- come before the Board at some
22 time in the future looking for some relief in that
23 regard. But as it stands today, it's -- it's manageable.

24 MR. BOB PETERS: Have you had any
25 feedback from the brokers relative to the confirmation

1 letter that Centra sends out and allows ten (10) days for
2 the customer to cancel their arrangement?

3 MR. BRENT SANDERSON: Nothing on an
4 official basis, and I'm not aware of any particular
5 displeasure with the -- with the letter. Beyond that, I
6 have really nothing more to report in that regard.

7 MR. BOB PETERS: What is Centra's
8 understanding of Direct Energy Marketing Limited's
9 ongoing involvement in the Manitoba marketplace?

10 MR. BRENT SANDERSON: We were notified
11 that for the time being they would no longer be marketing
12 fixed-rate products to new customers in Manitoba, and
13 that their staff in Manitoba were terminated and that
14 they would continue to serve their existing customer base
15 in Manitoba out of their offices in Ontario. And all of
16 their customers as we understand it have been informed of
17 this and they've -- we've been dealing with their staff
18 in Ontario.

19 So they are, as we understand it, just
20 planning to continue to serve their existing market share
21 and we know nothing beyond that as to their plans for the
22 long term plans for the future.

23 MR. BOB PETERS: All right. You started
24 your answer by saying "for the time being." You were
25 aware of a certain situation, there was no time line put

1 on that understanding?

2 MR. BRENT SANDERSON: That's why I
3 qualified my response with "for the time being." We were
4 not given any direction that this was necessarily
5 permanent. And I'll just leave it at that.

6 MR. BOB PETERS: Can you explain to the
7 Board Centra's understanding as to whether contracts that
8 expire with Direct Energy Marketing Limited residential
9 customers will be -- will be renewed where they will seek
10 renewals of them?

11 MS. MARLA MURPHY: Mr. Chairman, I just
12 might interject at this point. I -- I find the line of
13 questioning a little bit awkward in terms of asking what
14 the brokers may or may not be doing in the Manitoba
15 market.

16 And as I understand it, the Board has
17 oversight over those brokers so I would be more
18 comfortable if the Board was to approach the brokers
19 directly to have their plans put on the record rather
20 than having Centra speculate on them in the -- in this
21 fashion.

22

23 CONTINUED BY MR. BOB PETERS:

24 MR. BOB PETERS: Well, Mr. Chairman, I
25 don't want speculation. I did want Centra's

1 understanding of what Direct Energy Marketing Limited was
2 doing with contracts that expire and whether there would
3 be any re-contracting attempts if they know. If they
4 don't know, then -- then we'll move on.

5 MR. BRENT SANDERSON: I don't know and
6 they -- and they hold that right to -- to seek renewal of
7 those existing customers. I do not know their plans.

8 MR. BOB PETERS: There is then one (1)
9 active, as far as Centra is concerned, residential gas
10 broker in Manitoba being Energy Savings Manitoba Limited?

11 MR. BRENT SANDERSON: To be more specific
12 there's one (1) marketer that targets the residential
13 market specifically. There are other brokers who tend to
14 focus on the industrial and large commercial market but
15 that still do have residential customers in their
16 customer base.

17 MR. BOB PETERS: And, Mr. Sanderson and
18 Mr. Stephens, there's an obligation on Centra to use its
19 best efforts to backstop brokers should there be supply
20 failure issues, is that correct?

21 MR. HOWARD STEPHENS: That is correct.

22 MR. BOB PETERS: Now I believe, Mr.
23 Stephens, and I don't want to go back there but last time
24 we discussed this there was a situation where a broker I
25 think went on vacation or something and phoned you for

1 some assistance to supply gas somewhere in the early to
2 mid 1990's and you were obliging at the time.

3 MR. HOWARD STEPHENS: Yeah, I was a lot
4 nicer then.

5 MR. BOB PETERS: That's what I'm told.
6 And -- but having said that, Mr. Stephens, the filing
7 discloses that SCEC/AES was a broker and it's parent
8 company was SEM Group in the United States that has
9 become insolvent and bankrupt.

10 You're aware of that?

11 MR. BRENT SANDERSON: Yes, I am, Mr.
12 Peters.

13 MR. BOB PETERS: And as I understand the
14 materials, the SEM Group through its SCEC/AES served no
15 residential customers in Manitoba.

16 Is that also accurate?

17 MR. BRENT SANDERSON: I would have to
18 check that. I am -- I don't have that definitive answer
19 at the moment.

20 MR. BOB PETERS: My understanding is that
21 when the SEM Group went insolvent, it took approximately
22 one (1) hour with no gas flowing before somebody alerted
23 Centra to the fact that there was some -- some customers
24 who didn't have volumes nominated.

25 MR. BRENT SANDERSON: Well, actually how

1 it unfolded is, is we became aware of rumours in the
2 trading community on the Friday afternoon that SEM Group
3 and its subsidiary companies were in financial trouble
4 and spent the next two (2) days trying to contact
5 representatives from SEM Canada Energy Company Limited,
6 AE Sharp and SEM Group LP, none of our calls which were
7 returned.

8 And on the date that they did declare
9 bankruptcy or notify us of same, there was a fax that was
10 sent to a general inbox in our direct purchase department
11 but not to -- not to any senior individuals of the
12 Company, just it was sent to a general fax number to one
13 of our junior direct purchase co-ordinators. There was
14 no phone call. We didn't discover the fax until
15 approximately 10:00 a.m. that day and it had been sent
16 before the -- slightly before the commencement of the gas
17 day.

18 So technically we were informed by way of
19 a general fax before the commencement of the gas day,
20 just slightly before, but we didn't discover the fax
21 until an hour after the gas day had commenced.

22 MR. BOB PETERS: Can you explain to the
23 Board what Centra did in response to receiving the fax?

24 MR. BRENT SANDERSON: Yes, we undertook
25 our emergency backstopping plan, assessed the amount of

1 gas that was failed to be delivered or nominated by
2 SEMCAN Energy Company and AE Sharp, and our gas storage
3 and transportation group undertook the plan to acquire
4 the additional primary gas supplies to backstop those
5 customers.

6 MR. BOB PETERS: Those customers were
7 transferred back to system supply immediately?

8 MR. BRENT SANDERSON: There's a bit of
9 misalignment in terms of how the time unfolds. On an
10 effective basis they were returned to system supply an
11 hour before we discovered that SEM Group had become
12 insolvent and so they were returned to the system in our
13 various billing systems and so forth that day and letters
14 were drafted and issue -- sent to all of the customers
15 affected the following day, notifying them that their
16 marketer had declared bankruptcy and had failed to supply
17 and that they were returned to system supply effective
18 9:00 a.m. on the day of the default.

19 MR. BOB PETERS: Was Centra holding a
20 security deposit from SEM Group?

21 MR. BRENT SANDERSON: And AE Sharp, yes,
22 we were.

23 MR. BOB PETERS: And as a result of what
24 transpired, there were financial consequences?

25 MR. BRENT SANDERSON: Well, it -- given

1 the timing of customer billing and so forth, it was
2 approximately a one (1) month period before we could
3 ascertain what any outstanding net payments remained
4 between SEM Group, the SEM Group companies and Centra Gas
5 Manitoba.

6 And because we bill their customers under
7 the agent billing and collection service, the amounts
8 that we had collected to that point in time for that
9 month for primary gas billings that would have otherwise
10 been forwarded to SEM Group were sufficient to cover off
11 their outstanding gas storage loan such that we did not
12 need to draw on the credit security that had been posted
13 with Centra.

14 So we netted the amounts owing to Centra
15 from their ABC billings, forwarded the remainder to them,
16 and then -- and then subsequently when we had made final
17 determination of the amounts we released the credit
18 security instruments to the trustee in bankruptcy.

19 MR. BOB PETERS: So you didn't have to
20 realize on the security deposit?

21 MR. BRENT SANDERSON: Fortunately, no.

22 MR. BOB PETERS: You used the cashflow
23 from the customers to -- to make good the incremental
24 costs that you'd incurred?

25 MR. BRENT SANDERSON: Yes.

1 MR. BOB PETERS: And you mentioned one
2 (1) of the incremental costs and that would have been the
3 gas loan mechanism. The SEM Group and AE Sharp were into
4 Centra for some money by way of the gas loan mechanism
5 afforded to brokers?

6 MR. BRENT SANDERSON: Yes, that's
7 correct.

8 MR. BOB PETERS: And what about any TCPL
9 penalties or the like?

10 MR. BRENT SANDERSON: Because it was a
11 warm summer day when the default occurred, that was
12 fortunate in that we were able to backstop SEM Group and
13 AE Sharp's former customers without incurring any TCPL
14 balancing penalties.

15 MR. BOB PETERS: You're telling the
16 Board, Mr. Sanderson, that Centra kept itself whole in
17 this whole transaction?

18 MR. BRENT SANDERSON: Yes, and -- and all
19 customers.

20 MR. BOB PETERS: All right. And the net
21 proceeds were turned over to the US bankruptcy trustee?

22 MR. BRENT SANDERSON: Yes, that's
23 correct.

24 MR. BOB PETERS: Have any different
25 controls been implemented as a result of your experience

1 with the SEM Group for other arrangements you have?

2 MR. BRENT SANDERSON: Actually, this type
3 of event was envisioned long before its occurrence.
4 We've had comprehensive credit management policies and
5 procedures in place in terms of our dealing with the WTS
6 marketers and have had for a number of years.

7 We measure our worst case likely exposure
8 in the event of a default during a cold winter period and
9 require marketers to put sufficient security to cover off
10 that risk to Centra and the rest of the ratepayers.

11 So the event just reinforced our view that
12 our procedures and our policies are robust enough to
13 handle such an event and we just plan to continue
14 maintaining those policies as they stood at the time of
15 the SEM Group default.

16 MR. BOB PETERS: Is worst case scenario
17 quantified by the largest broker and the largest volumes
18 at risk?

19 MR. BRENT SANDERSON: We look at each
20 individual broker and their share of the market
21 individually when assessing what is required of each
22 broker.

23 Their individual circumstances dictate the
24 security that we require.

25 MR. BOB PETERS: Am I correct in turning

1 to Centra's fixed price offerings that Centra has now
2 gone to market once to offer a one (1) year, three (3)
3 year and a five (5) year fixed price offering?

4 MR. BRENT SANDERSON: Yes, that's
5 correct.

6 MR. BOB PETERS: And if we turn back to
7 Tab 63 of the book of documents and again -- excuse me,
8 Attachment to PUB/CENTRA-17(a) page 1 of 6 starting at
9 line 9 when we deal with fixed price supply.

10 This is the schedule that's broken out to
11 reflect the customers -- the number of customers that
12 Centra has on its fixed price offerings.

13 Is that correct?

14 MR. BRENT SANDERSON: I can maybe help
15 you out a little bit with these schedules but again Mr.
16 Kuczek would be the more appropriate witness.

17 All I can say is that the numbers shown in
18 this schedule are forecast Centra fixed rate customers
19 rather than actual.

20 MR. BOB PETERS: And I think in PUB-101
21 you gave us the results of the offerings. Is that a
22 matter that you would prefer I discuss with Mr. Kuczek?

23 MR. BRENT SANDERSON: I'm not involved in
24 the marketing of those products in any way, shape or form
25 so yes, I would appreciate if they could be turned over

1 to Mr. Kuczek when he takes the stand.

2 MR. BOB PETERS: This isn't going to
3 sound right but all you did was you -- you sourced the
4 gas from Mr. Kuczek to market.

5 MR. BRENT SANDERSON: A fairer
6 characterization would be my group executed the risk
7 management program underpinning those services rather
8 than sourcing physical gas.

9 MR. BOB PETERS: Is it correct - and I'll
10 see how far I can go with you on this one - Mr.
11 Sanderson, is it correct that for Centra's three (3) and
12 five (5) year contracts that are fixed priced, Centra has
13 hedged volumes that will not be purchased under the fixed
14 price offering program.

15 MR. BRENT SANDERSON: We have hedges that
16 were placed in support of those offerings that were not
17 subscribed by customers.

18 MR. BOB PETERS: Does that suggest to the
19 Board that there will be a financial impact as a result
20 of those hedges?

21 MR. BRENT SANDERSON: Keeping in mind
22 that all hedges placed for whatever reason will have a
23 financial impact. If those hedges are left to run their
24 course with no underlying subscriptions, there will be a
25 unique financial impact associated with them relative to

1 the hedges placed in support of the offerings that were
2 subscribed.

3 MR. BOB PETERS: That unique occurrence
4 could be either favourable or unfavourable to the
5 financial position of the Corporation. Correct?

6 MR. BRENT SANDERSON: Correct.

7 MR. BOB PETERS: Is it Centra's position
8 that you should now start to unwind some of those
9 transactions and try to move yourself out of them?

10 MR. VINCE WARDEN: We have no intention
11 to unwind those contracts at this point in time.

12 MR. BOB PETERS: So much like my
13 investments, it's hold and hope.

14 MR. VINCE WARDEN: Unlike your
15 investments the -- the amounts involved are quite small.

16 MR. BOB PETERS: It must be late in the
17 day. But you've -- you've told the Board that inevitably
18 there will now be a mismatch based on actual weather and
19 actual volumes and there will be a financial consequence
20 favourable or negative that will have to be reckoned with
21 at some point in time.

22 MR. VINCE WARDEN: That's correct, yes.

23 MR. BOB PETERS: And when I say "some
24 point in time," Mr. Warden, it's your understanding that
25 Centra is tracking the fixed price program and will keep

1 track of what impact it has on the overall net income of
2 the Corporation, at least on an annual basis.

3 MR. VINCE WARDEN: Correct.

4 MR. BOB PETERS: Why is it the
5 Corporation's position that you're not going to unwind
6 the transactions at this point in time?

7 MR. VINCE WARDEN: Well I think it's very
8 early in the program and we are looking at various
9 options as to how we would handle the unsubscribed
10 volumes. It -- it's possible that we'll roll those into
11 the next -- next offering. We haven't really come to
12 that conclusion yet.

13 MR. HOWARD STEPHENS: Mr. Peters, you
14 have to understand that we can't unwind that -- those --
15 those positions. Those positions are now on, so all we
16 can do is take an equal off-setting position and
17 crystalize the difference between the two (2).

18 So, if we can look at some other
19 methodology in terms of recovering the dollars that we've
20 expended with respect to that, or whatever value they
21 bring, then it's to our benefit. So we haven't closed
22 the door in terms of how we're going to deal with that
23 yet.

24 MR. BOB PETERS: Your answer implies, Mr.
25 Stephens, that the positions you've taken are now -- now

1 fixed, and those positions are more expensive than what
2 the current market price is for gas.

3 MR. HOWARD STEPHENS: I don't know where
4 they are relative to the current market, but we purchase
5 swaps, and those positions are now on. You can't send
6 them back. You -- you can't take them back because you
7 don't like them.

8 MR. BOB PETERS: I wasn't suggesting take
9 them back, but you could -- as you said, you could -- you
10 could unwind them by buying the opposite position at this
11 point in time.

12 MR. HOWARD STEPHENS: That's what I said,
13 yes. I mean you'd take an equally -- equally off-setting
14 position, which will, at that point in time, result in a
15 net mark to market or a net result which will be fixed.

16 And, as opposed to doing that right now,
17 we're just letting them ride and we may incorporate them
18 into some other offering, as Mr. Warden has pointed out.

19 MR. BOB PETERS: If the net -- if mark to
20 market was favourable in that you have a swap at a lower
21 price than the current market price, you could get out of
22 it with no financial disadvantage.

23 MR. HOWARD STEPHENS: There's the
24 potential for us to make money on them, but I would want
25 to be very careful before we go down that road that we

1 don't get ourselves into a speculative trading program.

2 MR. BOB PETERS: Okay, and in terms of
3 moving this into the next program or into the next
4 offering, when does Centra see itself going back to the
5 market to -- to go out with more one (1), three (3), five
6 (5) year or other year offerings?

7 MR. HOWARD STEPHENS: That, Mr. Kuczek
8 will have to respond to.

9 MR. BOB PETERS: But presently there's
10 been one (1) offering from February 9th, 2009, and that's
11 the only offering that's been made.

12 MR. HOWARD STEPHENS: Yes, I'll --

13 MR. BOB PETERS: Okay.

14 MR. HOWARD STEPHENS: -- agree with that.

15

16 (BRIEF PAUSE)

17

18 MR. BRENT SANDERSON: Mr. Peters, when
19 you have a moment when you're done, I'd just like to
20 clarify the record on one (1) item that you questioned me
21 on pre -- previous.

22 MR. BOB PETERS: All right. I just have
23 some thoughts about what Mr. Stephens was telling me.

24 Conceptually, can you explain to the
25 Board, Mr. Stephens, how you would wind or how you would

1 put a position that you acquired February 9th, '09 into
2 the next series of offerings?

3 How, conceptually, would that be done?

4 MR. HOWARD STEPHENS: I think I'll let
5 Mr. Sanderson answer that.

6 MR. BRENT SANDERSON: If that was the
7 Company's desire to do so, you would take the
8 unsubscribed hedges for the period of time -- the portion
9 of those hedges that cover the period of the offering
10 that you're interested in making for a subsequent three
11 (3) or five (5) year period, look at what your marketing
12 people assume that they would be able to market in terms
13 of volumes, compare the hedges you already have on, fill
14 out the difference by placing additional hedges, derive a
15 blended price and then proceed with the rate
16 determination methodology that has come to be approved by
17 the Public Utilities Board to derive a rate to be offered
18 to customers.

19 MR. BOB PETERS: So you would have room
20 in whatever price you went to market with. It wouldn't
21 necessarily be what the -- the market price was on that
22 date. You could adjust it for what your results had been
23 in previous offerings and --

24 MR. BRENT SANDERSON: You have price
25 discovery on the hedges you've already placed, and then

1 you would place your hedges the best price available on
2 the market on the remainder to fill out your hedge volume
3 curve, if you will, and you have a blended average price.

4

5

(BRIEF PAUSE)

6

7

MR. BOB PETERS: This is your
8 opportunity, Mr. Sanderson, before I try to move on to
9 one area before we close today.

10

MR. BRENT SANDERSON: When we were
11 discussing marketers and the state of affairs in terms of
12 Centra's dealing with them on customer enrolments and
13 other related processes, I misspoke when I stated the
14 Company's no longer seeking the addition of agency
15 agreement dates in the associated spreadsheets. I was
16 thinking more in terms of the ongoing submission process
17 and the volume of submissions that we're currently
18 dealing with.

19

So it is Centra's position that we are
20 still seeking the addition of a field in the Excel
21 spreadsheets identifying the execution dates of the
22 agreement, so that we can fairly adjudicate in the
23 circumstances where there are multiple customer
24 submissions for the same customer for a single flow date.

25

MR. BOB PETERS: Can you advise the Board

1 as to whether the brokers are in agreement with Centra
2 attempting to fairly adjudicate on the issue of which one
3 was first in time?

4 MR. BRENT SANDERSON: We've had informal
5 discussions with them and they understand that it's --
6 it's an interest of dealing with them fairly and we've
7 heard no opposition from them.

8 MR. BOB PETERS: Mr. Chairman, it's clear
9 to me I won't quite finish today, but I will finish
10 certainly within the first hour tomorrow morning, and I
11 wondered if this would be an appropriate time to adjourn
12 for the day and pick it up tomorrow morning?

13 THE CHAIRPERSON: That's fine, Mr.
14 Peters. We'll see you all back tomorrow morning at nine
15 o'clock. Thank you.

16
17 (GAS COST MATTERS PANEL RETIRES)

18
19 --- Upon adjourning at 3:54 p.m.

20
21 Certified correct,

22
23

24 _____
25 Cheryl Lavigne, Ms.