

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

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 5, 2009

Pages 730 to 826

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

APPEARANCES

Bob Peters ) Board Counsel  
Marla Murphy ) Centra Gas  
Brent Czarnecki )  
Kris Saxberg ) CAC/MSOS  
Rick Forster (np) ) Direct Energy  
Nola Ruzycki (np) ) ESMLP  
Dave Hill (np) ) Koch Fertilizer Canada  
Sandy Boyd ) Communications, Energy &  
 ) Paperworkers Union

1	TABLE OF CONTENTS	
2		Page No.
3	Undertakings	733
4		
5	CENTRA'S REVENUE REQUIREMENT, DSM, COST ALLOCATION,	
6	AND RATE DESIGN PANEL RESUMED:	
7	VINCE WARDEN	
8	WILLY DERKSEN	
9	GREGORY BARNLUND	
10	DAVID PETURRSON	
11	LLOYD KUCZEK	
12		
13	Continued Cross-examination by Mr. Bob Peters	736
14		
15	Certificate of Transcript	826
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

	UNDERTAKINGS		
	No.	Description	Page No.
1			
2			
3	9	Centra to indicate who was the last	
4		customer to be restored, during the	
5		September 2nd, 2008, Morden power outage,	
6		and how long was it before they were	
7		restored	755
8	10	Centra to advise the Board if there have	
9		been business interruption claims filed	
10		against the Company	758
11	11	Centra to provide the calculations, with	
12		work-up, for the damage repairs, Winnipeg	
13		East, Interlake, and also metering service	
14		increases	808
15	12	Centra to file solvency calculation,	
16		fiscal year ending March 31, 2009	811
17	13	Regarding the cost consequence of the	
18		deferred expense in response to	
19		CAC/MSOS/CENTRA-2-153, Centra to indicate	
20		how they arrived at \$2 million	818
21			
22			
23			
24			
25			

1 --- Upon commencing at 9:06 a.m.

2

3 THE CHAIRPERSON: Okay. Good morning,  
4 everyone. Welcome back, to Day 4, I believe.

5 Mr. Peters...?

6 MR. BOB PETERS: Yes, Mr. Chairman,  
7 there's I think three (3) matters of housekeeping as I  
8 would call them and the first one I'll turn over to Ms.  
9 Murphy to -- to just take care of the first matter.

10 MS. MARLA MURPHY: Thank you. Good  
11 morning. Mr. Chairman, I wanted to clarify for the  
12 record at pages 672 and 673 of the transcript. I  
13 volunteered an answer yesterday, as related to the  
14 publication of the names of the forecasters that you find  
15 in the revised response to PUB-198, and the information I  
16 volunteered was not quite accurate, as it turns out.

17 The -- the names of forecasters there,  
18 some are public, the ones that are the banks and whatnot;  
19 the others are proprietary and regardless of the passage  
20 of time we do have to obtain their consent. That has  
21 been done and they're included in the response, but the  
22 information I gave you yesterday as to the passage of  
23 time affecting our requirement for that consent was not  
24 correct.

25 THE CHAIRPERSON: So they can stay on the

1 record, then?

2 MS. MARLA MURPHY: They can stay on the  
3 record, as we have the consents, yes.

4 THE CHAIRPERSON: Okay, thank you.

5 Mr. Peters...?

6 MR. BOB PETERS: That's just another  
7 example, Mr. Chairman of -- it's why lawyers ask the  
8 questions, not answer them. It's a --

9 MS. MARLA MURPHY: I'll try and refrain.

10 MR. BOB PETERS: -- not as easy as we  
11 think.

12 There are two (2) other matters, Mr.  
13 Chairman. On transcript page 581 there's recorded  
14 Undertaking Number 3 for Mr. Derksen to provide a  
15 breakdown as to the proportion of meter reading down  
16 internally and that -- that is contracted out to MHUS.  
17 I'm going to withdraw that undertaking. The indication  
18 was it's moving towards a higher number but I don't need  
19 a precise number. He's explained that amount so I just  
20 want to indicate on the record that Undertaking Number 3  
21 is withdrawn.

22 And likewise, Undertaking Number 4, on  
23 transcript page 596; this was with Mr. Warden. We were  
24 discussing I think a \$5 million increase in the cost of  
25 the office tower from \$278 million to \$283 million. I --

1 I had asked if he could identify where in the schedule  
2 that we had produced the increase was going to come. And  
3 in my words, I believe his answer was to the effect it  
4 was going to be sprinkled throughout all of the line  
5 items and it wasn't one (1) major line item. So to that  
6 extent I also withdraw that undertaking. We don't need  
7 the specifics of that at this time.

8 Those complete the housekeeping matters,  
9 Mr. Chairman.

10

11 CENTRA'S REVENUE REQUIREMENT, DSM, COST ALLOCATION,  
12 AND RATE DESIGN PANEL RESUMED:

13

14 VINCE WARDEN, Resumed

15 WILLY DERKSEN, Resumed

16 GREGORY BARNLUND, Resumed

17 DAVID PETURRSON, Resumed

18 LLOYD KUCZEK, Resumed

19

20 CONTINUED CROSS-EXAMINATION BY MR. BOB PETERS:

21 MR. BOB PETERS: And with the panel I  
22 want to pick up where we left off yesterday, relative to  
23 the Brandon Unodourized Natural Gas Pipeline Improvement  
24 Project.

25 And, Mr. Petursson, we had agreed that

1 there was an existing unodourized pipeline that served  
2 the special contract customer as well as, in my words,  
3 looping to serve the City of Brandon, as well as for the  
4 communities in southwestern Manitoba?

5 MR. DAVID PETURSSON: Yes.

6 MR. BOB PETERS: And we agreed that when  
7 the power station customer was added to the Centra gas  
8 system in approximately 2002, Centra tapped into the  
9 unodourized pipeline that then existed to serve the new  
10 power station customer?

11 MR. DAVID PETURSSON: Yes. And we also  
12 added pipeline, at that time, to help provide the gas  
13 required.

14

15 (BRIEF PAUSE)

16

17 MR. BOB PETERS: When you tapped into the  
18 existing unodourized line you then extended the pipeline  
19 to the customer?

20 MR. DAVID PETURSSON: Yeah, we -- when we  
21 tapped into the existing pipeline we also provided some  
22 looping, you know, between the source of supply of  
23 Transcanada and where the customer was, so that -- to add  
24 capacity to that unodourized pipeline.

25 MR. BOB PETERS: At the time you did



1 that, Centra knew they had a contractual obligation to  
2 the special contract customer to deliver natural gas at a  
3 specified pressure?

4 MR. DAVID PETURSSON: Yes.

5 MR. BOB PETERS: I'm not sure the record  
6 is clear in terms of what that contract pressure was.  
7 Was it 650 PSI gauge or was it 630 PSIG?

8 MR. DAVID PETURSSON: It was 651 PSIG.

9 MR. BOB PETERS: You've checked the  
10 contract for that amount, sir?

11 MR. GREG BARNLUND: I'm aware of that  
12 amount, sir.

13 MR. BOB PETERS: And we know PSI is  
14 generally pounds per square inch, and that's an absolute  
15 measurement. And then we -- when we talk PSIG, that's  
16 pounds per square inch gauge; is that the engineering  
17 term?

18 MR. DAVID PETURSSON: Yes, that's  
19 correct.

20 MR. BOB PETERS: It's a slightly  
21 different measurement but for the -- it has the same --  
22 the same idea behind it?

23 MR. DAVID PETURSSON: Yes. P -- gauge  
24 pressure, PSIG, is the common term that we would use -- a  
25 common measurement we would use for delivery of gas

1 pressure to customers.

2 MR. BOB PETERS: If the contractual  
3 obligation to the special contract customer was 651 PSIG,  
4 you told the Board yesterday that your contract with TCPL  
5 was for them to supply it to you at 580 PSIG, correct?

6 MR. DAVID PETURRSON: Yes, we mentioned  
7 that. The contract pressure of 651 was contingent upon  
8 certain pressures received from Transcanada Pipelines.

9 MR. BOB PETERS: Your contractual  
10 relationship with the special contract customer has a  
11 pressure that's defined in the contract and that pressure  
12 fluctuates, based on what TCPL delivers at?

13 MR. GREG BARNLUND: Mr. Peters, perhaps I  
14 could provide some information on this. I'm aware of the  
15 contract that's in existence between Centra and a special  
16 contract customer.

17 The contract with the special contract  
18 class customer basically references a -- a design  
19 situation where, assuming that we receive an inlet  
20 pressure, in excess of, I believe it's 780 PSI, we're  
21 able to provide a pressure to the special contract  
22 customer of 651 PSI at their -- at the inlet to their  
23 facility. And even though -- oh, I'm sorry, I think it's  
24 720 is the threshold by which the minimum pressure we  
25 would -- if we saw a minimum pressure of 720 PSI at the

1 inlet from Transcanada, we could still provide 651 PSI to  
2 the special contract customer.

3 A special contract customer is aware that  
4 we're not making any representation that we would always  
5 be able to provide 651 PSI to that customer. Obviously,  
6 given that the Transcanada tariff only guarantees a  
7 pressure of 580 pounds, there's no way that we could  
8 represent providing a pressure of 651 PSI to the special  
9 contract class in all cases.

10 What we are doing is providing the  
11 parameters by which our system provides the capacity to  
12 that customer, under the pressure assumptions contained  
13 in the contract.

14 MR. BOB PETERS: What is your obligation  
15 to the special contract customer if Transcanada  
16 Pipeline's pressure drops below the guaranteed 580 PSI?

17 MR. GREG BARNLUND: I believe we would  
18 have a force majeure situation on our hands. Clearly  
19 we're not guaranteeing any minimum -- or any guaranteed  
20 level of pressure to the customer in this case. We're  
21 simply establishing the parameters, assuming a certain  
22 inlet pressure from Transcanada.

23 Clearly, if the inlet pressure from  
24 Transcanada drops below 720 PSI, it's -- it would not --  
25 we would not be able to provide the required pressure of

1 651 to the special contract class customer, but we are  
2 not legally obligated to do so.

3 MR. BOB PETERS: To date, Centra has been  
4 able to deliver gas to the special contract customer in  
5 accordance with the pressure requirements in the contract  
6 of at least 651 PSI?

7 MR. DAVID PETURSSON: That is correct.

8 MR. BOB PETERS: However, what you're  
9 telling the Board in this Application is that if there  
10 ever is competing interests on the unodourized pipeline  
11 as between the power station and the special contract  
12 customer, the power station has -- has gratuitously  
13 backed off on their gas requirements, so that you could  
14 serve the special contract customer.

15 MR. GREG BARNLUND: Mr. Peters, perhaps I  
16 could help you there. I'll just get you to repeat the  
17 question again.

18 MR. BOB PETERS: You've told the Board  
19 that you've been able to honour the contractual  
20 commitment to deliver at 651 PSI to the special contract  
21 customer to date without exception.

22 Is that correct?

23 MR. GREG BARNLUND: I believe that we  
24 have been able to do so, yes.

25 MR. BOB PETERS: And going forward, what

1 you're seeing is, on some occasions, Transcanada's  
2 pressure is -- is dropping from the assumed 720 PSI; it's  
3 coming down lower than that, correct?

4 MR. DAVID PETURSSON: I'll -- I'll  
5 address -- I'll tackle this one. We've seen --  
6 historically, we've seen pressures that have been well  
7 above 800 pounds on an historic basis, and that's been  
8 fairly steady.

9 However, recently we've started seeing  
10 pressures that have, you know, dropped below 800 on a  
11 more frequent basis. Now, the -- when we get the  
12 pressures start dropping below that level, it is -- you  
13 know, we cannot serve both the -- those large customers  
14 on the unodourized system and meet their pressure and  
15 volume requirements.

16 And the -- you know, if we -- we're  
17 comfortable with the pressures at historic levels, we  
18 would not have an issue. But it's these more frequent  
19 drops in pressure from Transcanada that necessitate this  
20 action.

21 MR. BOB PETERS: Has Transcanada  
22 explained why their pressure, on occasion, drops?

23 MR. DAVID PETURSSON: I don't believe  
24 we've addressed that with Transcanada in a, you know,  
25 specific sense. I know there are a number of factors

1 that can cause that. Part of this is their -- just the  
2 nature of their operations.

3 We've talked -- we've talked to them about  
4 trying to maintain this higher level of pressure, but  
5 we've been unsuccessful at trying to negotiate any kind  
6 of a higher minimum pressure.

7 MR. BOB PETERS: To date, has the power  
8 station customer had to curtail its plans because the  
9 pressure from Transcanada Pipeline hasn't been sufficient  
10 for Centra to serve both the special contract customer  
11 and the power station customer?

12 MR. DAVID PETURSSON: I cannot answer  
13 conclusively one way or the other on that one.

14 MR. BOB PETERS: You're not aware?

15 MR. DAVID PETURSSON: I'm not aware.

16 MR. BOB PETERS: And if I look down the  
17 table to Mr. Warden, I'm not sure he'd have any knowledge  
18 of that, but have you heard anything on the Hydro side of  
19 the Brandon Gas Turbine having to curtail just so that  
20 the special contract customer can be served?

21 MR. VINCE WARDEN: I have not, Mr.  
22 Peters.

23 MR. BOB PETERS: Okay. So, at this point  
24 in time, would it be correct to say that the Brandon  
25 Project is preventative in nature rather than mandatorily

1 required at this point in time?

2 MR. DAVID PETURSSON: It's -- in that  
3 sense, you know, we're addressing it before the -- the  
4 problems manifest themselves, yes. The -- the drops in  
5 pressure, you know, below the historic levels though are  
6 a reality, and that -- that part of it is definitely  
7 happening.

8 MR. GREG BARNLUND: Mr. Peters, I might  
9 add that at the outset, when the Brandon turbine was  
10 constructed and put into service, it was anticipated that  
11 its usage would be very intermittent and very infrequent.  
12 And under the circumstances that existed at the time we  
13 had experienced more reliable pressures from Transcanada,  
14 in the neighbourhood of what Mr. Petursson was referring  
15 to before and given that the anticipated usage patterns  
16 of the generating station were going to be very  
17 intermittent.

18 But there was enough diversity of load  
19 possible between -- between the power station and the  
20 rest of the load on the system, and the pressures from  
21 Transcanada being historically experienced would have  
22 been high enough that there wouldn't have been a risk of  
23 -- of conflict or causing a pressure drop situation in  
24 that regard.

25 We have -- as you alluded to previously,

1 the power station would -- had -- had agreed to  
2 voluntarily reduce its usage in certain circumstances if  
3 -- if there was a pressure drop from Transcanada that  
4 required that to happen. However, since -- since the  
5 time of -- of the original construction of the capacity  
6 and attaching the power station, and looking forward into  
7 the future, it's conceivable that the usage pattern for  
8 the generating station will be much different than what  
9 was originally anticipated.

10                   Conceivably it could fire more frequently  
11 and may fire for, you know, more essential reasons that  
12 would prevent them from being able to curtail their usage  
13 upon a call from us and therefore, that increases the  
14 risk to them and to the other customers on the system  
15 that there may be less diversity of load at a time when  
16 the operating pressures from Transcanada may be at a  
17 reduced level and which could cause some significant  
18 difficulties in terms of providing sufficient pressure to  
19 the remaining customers on the system.

20                   MR. BOB PETERS:    So you've now told the  
21 Board there's two (2) things that have changed since  
22 2002, Mr. -- on that, Mr. Barnlund. You've said Number 1  
23 Transcanada doesn't always deliver at the high pressures  
24 that you were historically accustomed to and Number 2 the  
25 power station customer is changing its use patterns?



1 MR. GREG BARNLUND: Yes.

2 MR. BOB PETERS: And if you knew back in  
3 2002 what you know today, you would you have designed the  
4 pipe differently, correct?

5 MR. DAVID PETURSSON: We would have --  
6 yes, what we -- we would have designed the pipe to have  
7 the -- the looping going the full length of the line as  
8 opposed to the partial looping that we did in 2002. In  
9 essence, the -- the looping that we are doing now would  
10 have been done, you know, back then had we had that  
11 knowledge at that point in time.

12 MR. BOB PETERS: And had you had that  
13 knowledge back in 2002, you would have at that time  
14 approached the customer for a contribution; would that  
15 also be correct?

16 MR. GREG BARNLUND: Yes, that's correct.  
17 I should say that we obtained a contribution from the  
18 customer at that time, but the total amount of the  
19 contribution would have been larger because of the  
20 additional facilities that would have been considered at  
21 that time.

22 MR. BOB PETERS: All right; you're  
23 refreshing my memory then on that, Mr. Barnlund. In  
24 fact, Centra did receive a customer contribution at the  
25 time of the 2002 initial partial looping?

1 MR. GREG BARNLUND: Yes, that's correct.  
2 The contract was entered into based on the results of the  
3 feasibility study that was run that considered the cost  
4 of the looping and all the remaining costs that were  
5 associated with attaching that customer.

6

7 (BRIEF PAUSE)

8

9 MR. BOB PETERS: Mr. Warden, is this the  
10 first that you think this Board is hearing that the  
11 Brandon gas turbine is going to be utilized differently  
12 than it has historically?

13 MR. VINCE WARDEN: Mr. Peters, my  
14 understanding of this issue is not so much that the  
15 Brandon plant is going to be used all that differently in  
16 the future. It's more so the fact that we have been  
17 having some difficulties with Transcanada, whereas in the  
18 past, as it was indicated, Transcanada allowed us to  
19 exceed the pressure, the -- the contractual pressure.  
20 That isn't the case any longer.

21 So we've been having more correspondence  
22 with Transcanada to keep the pressure below the contract  
23 -- or at the contract level. And whenever they want to  
24 fire up Brandon -- the power station for purposes of  
25 testing, or whatever they do -- they don't need it often

1 for power requirements -- but whenever they want to do  
2 that they have to check with the other customer to make  
3 sure that it's not going to inter -- interfere with the  
4 operations.

5                   So operationally it is a very difficult  
6 situation that we have right now and should the situation  
7 change in the -- in the future whereby we do need  
8 Brandon, be it for emergency or low growth in that area,  
9 then it could present a -- a very difficult situation for  
10 us.

11                   MR. BOB PETERS: From that answer, Mr.  
12 Warden, it doesn't sound like Brandon intends to use less  
13 coal and more gas as a generation strategy?

14                   MR. VINCE WARDEN: Definitely --  
15 definitely less coal. We're -- we're phasing out the  
16 coal plant at Brandon and will only be used after, I  
17 believe, it's 2011, December 2011, I believe the date is  
18 that the coal plant will only be used for emergency  
19 purposes.

20                   MR. BOB PETERS: But there's not a  
21 corresponding increase in the need then for the gas  
22 turbine?

23                   MR. VINCE WARDEN: Not necessarily.  
24 Brandon was used primarily for export purposes when it  
25 was in the money, the Brandon coal plant, that is, and

1 it's not likely that the gas plant will be in the money  
2 as much as the coal plant was.

3 MR. BOB PETERS: I summarize the -- the  
4 last answer -- the second-last answer, Mr. Warden, is to  
5 say that Hydro isn't so much changing its plans of  
6 operations, relative to the gas plant in Brandon, but it  
7 wants to have that flexibility if and when it needs to  
8 use the gas plant in Brandon.

9 MR. VINCE WARDEN: That's a fair  
10 summation, yes.

11 MR. BOB PETERS: All right. And in terms  
12 of the customer contribution, Mr. Barnlund, can you  
13 explain to the Board why it is only relatively recently  
14 in the last ten (10) days when a decision was made to  
15 seek customer contribution for the \$5.5 million capital  
16 upgrade cost of this additional unodourized pipe looping?

17 MR. GREG BARNLUND: Well, I think it's  
18 correct to say that -- that -- that the contribution was  
19 contemplated prior to that. Obviously, for whatever  
20 reason, it wasn't included in the capital expenditure  
21 forecast and not reflected in our original filing.

22 But in terms of our updated information we  
23 viewed it as appropriate to incorporate that into our --  
24 our -- our Information and -- that we filed or in terms  
25 of our update that we filed here on May 29th.

1                   MR. BOB PETERS:    I -- I appreciate the  
2 timeline.  What was it that precipitated the decision or  
3 the -- that twigged somebody to realized that this  
4 should've been funded by way, at least initially, of --  
5 by customer contribution and not through consumer rates?

6                   MR. GREG BARNLUND:   I'm -- I'm not sure  
7 in terms of the -- I -- I think that there was always a  
8 general assumption that, based on the contract terms,  
9 that this would be funded through -- by way of a  
10 contribution as opposed to rates.  But as I say, it -- it  
11 was inadvertently left out in terms of the original  
12 Application and so we caught it as a -- as a clean-up  
13 item here when we filed the update.

14                  MR. BOB PETERS:    Would it be correct, Mr.  
15 Barnlund, to look at the cover page at book of documents,  
16 Tab 29, and see that there's at least five (5) signatures  
17 that -- that five (5) other parties may have also missed  
18 the requirement for a customer contribution?

19                  MR. GREG BARNLUND:   I'm not sure that the  
20 matter of a contribution or the existence of a  
21 contribution would be relevant to the Capital Project  
22 Justification document itself.  Obviously we plan our  
23 capital expenditures and ultimately when those -- that  
24 plant is constructed and put into service, we may be  
25 revenue-testing some of those expenditures and some

1 customers may make a contribution with respect to some --  
2 some aspects of that capital investment.

3 MR. BOB PETERS: Is -- your answer  
4 suggest then, that those who prepare the capital plans  
5 would -- should probably have noted this first, and not  
6 necessarily the engineering approvals?

7 MR. GREG BARNLUND: Could you repeat  
8 that, Mr. Peters?

9 MR. BOB PETERS: Well, in -- in terms of  
10 the requirement for a capital contribution, can you  
11 explain to the Board which department should have known  
12 or did know that there was a capital contribution needed  
13 and explain why that didn't get translated to the  
14 Application.

15 MR. GREG BARNLUND: The contribution  
16 would probably be determined by the Customer Service  
17 Department in evaluating the extension to a customer.  
18 But I'm really -- I -- I'm not aware as to why, you know,  
19 that information may or may not have been related to  
20 other parties with respect to this -- this particular  
21 document.

22 MR. BOB PETERS: If there are cost  
23 overruns on the construction of this unodorized natural  
24 gas pipeline improvement, Mr. Barnlund, will those cost  
25 overruns also be paid for by way of customer

1 contribution?

2 MR. GREG BARNLUND: They would, because  
3 the contract that exists with the power station customer  
4 indicates that the power station customer is responsible  
5 for -- for the costs and for the -- any contribution that  
6 could be required to be made to those costs is their  
7 responsibility.

8 So if the actual cost of constructing the  
9 plant were greater than what were originally forecast,  
10 those would be reflected in a true-up calculation at the  
11 end of the contract term and would be taken into  
12 consideration in terms of the overall level of  
13 contribution that would be required from that customer.

14 MR. BOB PETERS: And with Centra's true-  
15 ups, they're normally after five (5) years, but you're  
16 telling the Board this one is after ten (10) years?

17 MR. GREG BARNLUND: That's correct. The  
18 agreement -- the contract with the power stations are  
19 somewhat unique compared to other customer contracts we  
20 may have in that they are ten (10) year agreements and  
21 the provision is that there would be a final true-up  
22 completed at the end of the ten (10) year term.

23 MR. BOB PETERS: And as with Centra's  
24 true-ups, if additional monies are required, will they be  
25 sought from the customer?

1                   MR. GREG BARNLUND: Well, I believe that  
2 the true-ups for this particular project -- for the large  
3 industrial projects, in other words, for the power  
4 stations and I believe for an extension that was made to  
5 an industrial customer in Portage some years ago, the  
6 true-up is indeed a two (2) way calculation.

7                   In other words, if additional monies are  
8 required at the end of the period because either costs  
9 were different or revenues were different than originally  
10 forecast, the customer -- power station customer and that  
11 other industrial customer would have been accountable for  
12 -- for those changed in -- changed contributions.

13                   MR. BOB PETERS: Thank you. I'd like to  
14 turn to -- in PUB-71 there was a question asked about  
15 Morden, Manitoba, and the Board would understand then  
16 that last September -- September the 2nd, 2008 -- the  
17 Town of Morden experienced a town-wide gas outage.

18                   Is that correct?

19                   MR. DAVID PETURSSON: That is correct.

20                   MR. BOB PETERS: How does the gas get  
21 shut off to an entire town, Mr. Petursson?

22                   MR. DAVID PETURSSON: It -- wi -- in that  
23 particular case, the -- there was a -- a valve that was  
24 closed that should have been opened. It was closed in  
25 association with switching supplies for purposes of



1 system operation leading to some maintenance work. And,  
2 in short, a valve was closed and was not reopened at the  
3 appropriate time.

4 MR. BOB PETERS: Was that done by a  
5 contractor or by a Manitoba Hydro gas worker?

6 MR. DAVID PETURSSON: That was done by  
7 Manitoba Hydro.

8 MR. BOB PETERS: If the outage happened  
9 on September the 2nd, 2008, if my date is correct, when  
10 did the last customer get returned to service?

11

12 (BRIEF PAUSE)

13

14 MR. DAVID PETURSSON: Mr. Peters, were  
15 you asking when the last customer was -- was finally  
16 connected -- or supply was restored to the last customer?

17 MR. BOB PETERS: Yes, and I may have  
18 asked -- asked it more awkwardly than that and I  
19 apologize.

20 But, yeah, how long was this outage for  
21 the last customer -- I mean, for the customers in -- by  
22 virtue of who was the last customer to be restored and  
23 how long did that take for that to happen?

24 MR. DAVID PETURSSON: Well, the -- this  
25 happened on September 2nd. At the conclusion of

1 September 4th, you know, twenty-three hundred and eight  
2 (2,308) of the twenty-four hundred and fifty-six (2,456)  
3 services were restored. I don't not -- do not have the  
4 answer handy as to when the last customer was restored.

5 MR. BOB PETERS: You could check that and  
6 get back to the Board, by way of an Undertaking on that,  
7 sir?

8 MR. DAVID PETURSSON: Yes, we will check  
9 that.

10

11 --- UNDERTAKING NO. 9: Centra to indicate who was  
12 the last customer to be  
13 restored, during the  
14 September 2nd, 2008, Morden  
15 power outage, and how long  
16 was it before they were  
17 restored

18

19 CONTINUED BY MR. BOB PETERS:

20 MR. BOB PETERS: And why would the outage  
21 be longer for some than for others?

22 MR. DAVID PETURSSON: There's -- the gas  
23 would have been restored to the entire town, but the  
24 process of restoring the customers would involve  
25 individual turn-ons, you know, by customer. In some

1 cases where a customer -- customer may not have been  
2 home, if the -- we would not have access to do the turn-  
3 on and make sure the equipment is operating properly, so  
4 that there could be delays on that account.

5 MR. BOB PETERS: Mr. Petursson, did you  
6 quantify the cost to Centra for connecting -- or  
7 correcting the outage?

8 MR. DAVID PETURSSON: Yes, the -- the  
9 cost to rectify the problem and relight the appliances  
10 after the outage was two hundred and four thousand  
11 dollars (\$204,000).

12 MR. BOB PETERS: That's not incremental  
13 costs, as Mr. Derksen taught me; it would be -- that  
14 would be part of the O&M costs of the Company and  
15 included in their O&M expenditures?

16 MR. DAVID PETURSSON: Yes, that is  
17 correct.

18 MR. BOB PETERS: And can you indicate  
19 whether any customers have made claims against Centra for  
20 business interruption or similar claims?

21 MR. DAVID PETURSSON: No, I cannot answer  
22 that.

23 MR. BOB PETERS: I don't think I'll  
24 cross-examine Ms. Murphy on that, but -- are you telling  
25 the Board that there were no -- there -- there have been

1 no claims made against the Utility, or you're not aware  
2 of whether any have?

3 MR. DAVID PETURSSON: I'm not aware of  
4 whether any have.

5 MR. BOB PETERS: In the instances where  
6 claims are made against the Utility for business  
7 interruption, is that an insured loss -- an insured -- is  
8 that covered by insurance, or is it, as we say, self-  
9 insured?

10

11 (BRIEF PAUSE)

12

13 MR. VINCE WARDEN: Mr. -- Mr. Peters,  
14 that would be covered under self-insurance. There is a -  
15 - there is a limit, though, at which the insurance  
16 provision does kick in and I do -- I think I have that,  
17 if I could -- could put that on the record a bit -- in a  
18 few minutes.

19 MR. BOB PETERS: Certainly, sir. I -- I  
20 guess the question that -- that does remain outstanding,  
21 though, is: Is this hypothetical or have there, in fact,  
22 been business interruption claims filed against the  
23 Company? And maybe Mr. Petursson can -- can check that  
24 by way of Undertaking and -- and notify the Board in  
25 writing at some other point in time.

1 MR. DAVID PETURSSON: Certainly.

2 MR. BOB PETERS: Thank you, sir.

3

4 --- UNDERTAKING NO. 10: Centra to advise the Board if  
5 there have been business  
6 interruption claims filed  
7 against the Company

8

9 CONTINUED BY MR. BOB PETERS:

10 MR. BOB PETERS: Mr. Petursson, my  
11 understanding of the tendering policies of the  
12 Corporation are that Centra will try to do all of the  
13 construction with its internal human resources, and only  
14 if it doesn't have the capacity will it then out-source  
15 or go to contractors.

16 Would that be correct?

17 MR. DAVID PETURSSON: Generally, yes.

18 MR. BOB PETERS: All right. And would it  
19 also be correct that approximately 50 to 66 percent of  
20 the projects have some tendering components on them?

21 MR. DAVID PETURSSON: I'm not sure of the  
22 exact percentage. I would expect that the vast majority  
23 of our projects would have a tendering component as we  
24 do tender materials.

25 MR. BOB PETERS: Does that imply that

1 Centra then doesn't keep an inventory of materials?

2 MR. DAVID PETURSSON: We keep an  
3 inventory of materials, but for most of them -- you know,  
4 for most of our materials we will go for tender for the  
5 supply of those materials, whether they're supplied  
6 directly to a job site or brought into inventory.

7 MR. BOB PETERS: And the lowest bidder is  
8 the -- is always the successful party on those tenders?

9 MR. DAVID PETURSSON: The lowest bidder  
10 subject to a technical analysis to make sure that the  
11 product is acceptable. Yes, we go with the low bidder.

12 MR. BOB PETERS: And generally when you  
13 tender for materials, how many counter-parties respond to  
14 the tender and put in offers?

15 MR. DAVID PETURSSON: That would depend  
16 on the particular materials that we are going for.

17 MR. BOB PETERS: Am I correct that in  
18 some of the projects 50 percent of the project may be  
19 submitted to tender and 50 percent would be done  
20 internally by Manitoba Hydro Gas employees?

21 MR. DAVID PETURSSON: Are you talking  
22 about the labour component or the overall total project?

23 MR. BOB PETERS: I was trying to  
24 assimilate PUB-52, the Information provided, and it  
25 wasn't clear whether it was just the materials that were

1 tendered out or whether some of the labour was also  
2 tendered out on -- on your projects.

3 MR. DAVID PETURSSON: On the number of  
4 the projects where the labour is done externally that  
5 would be tendered, also. On PUB-52, there are a number  
6 of costs that are done internally that we do not tender.  
7 There would be -- we would have costs of our own internal  
8 staff.

9 We also have costs of -- for -- costs  
10 within the total property -- or total -- I'm sorry --  
11 costs within the total project cost, including things  
12 such as property acquisition. By its nature, we would  
13 not be able to tender that.

14 MR. BOB PETERS: Do you split a project  
15 where part of the labour is done internally and part of  
16 it is contracted out?

17 MR. DAVID PETURSSON: Yes. There -- that  
18 -- it happens where we will contract out a portion of the  
19 labour, but there are certain aspects of the project that  
20 we will do internally.

21 MR. BOB PETERS: Why wouldn't you just --  
22 instead of having two (2) projects where 50 percent is --  
23 is tendered, why don't you just have one (1) where 100  
24 percent is tendered, and do the other one 100 percent  
25 internally?

1                   MR. DAVID PETURSSON:    The -- some of the  
2 projects require our internal staff because of their  
3 level of expertise.  For example, if a project requires  
4 stopping and tapping on some high pressures mains, that  
5 is -- that work on our system we do internally.

6                   We do not contract that work out, hence we  
7 might have the -- that component would be supplied  
8 internally, and there would be a -- a construction of a  
9 pipeline, say, that would attach to that other point --  
10 would be done externally by contract.

11                  MR. BOB PETERS:    All right.  Recognizing  
12 that that high pressure main taps may be specialized  
13 work, there would be other work that could be done  
14 equally as well by contractors as by internal resources,  
15 would you agree with that?

16                  MR. DAVID PETURSSON:    Yes.

17                  MR. BOB PETERS:    And in those instances,  
18 have you ever compared whether internal costs are cheaper  
19 than the tendered costs?

20

21                                       (BRIEF PAUSE)

22

23                  MR. DAVID PETURSSON:    Mr. Peters, could  
24 you repeat that question, please?

25                  MR. BOB PETERS:    Recognizing that there



1 are some projects where the work, in Centra's view, can  
2 be equally as well done by internal resources as it can  
3 by tendered resources. I'm wondering if you have  
4 compared the costs of the two (2) different methods of  
5 doing that job?

6 MR. DAVID PETURSSON: In some cases, we  
7 have, yes.

8 MR. BOB PETERS: On -- on which type of  
9 cases would those be?

10 MR. DAVID PETURSSON: We've looked at  
11 that for some residential main installations.

12 MR. BOB PETERS: And what have you found?

13 MR. DAVID PETURSSON: Well, the -- we ha  
14 -- that will part of the report we have coming June 30th,  
15 where we have tendered some four (4) party installations  
16 and the analysis in -- contained in the report in June  
17 30th. We'll have that information.

18 MR. BOB PETERS: You're not providing a  
19 sneak preview today?

20 MR. DAVID PETURSSON: No, I'm not.

21 MR. BOB PETERS: Okay. Have you been  
22 able to attract out-of-province contractors back to  
23 Manitoba to do work?

24 MR. DAVID PETURSSON: On occasion, yes,  
25 where the -- where we have work that will, you know, on

1 occasion, but it just depends on the nature of the work  
2 actually.

3 MR. BOB PETERS: Has it become easier to  
4 -- to -- to get contractors than it was a year or two  
5 ago?

6

7 (BRIEF PAUSE)

8

9 MR. DAVID PETURSSON: Mr. Peters, the  
10 nature of the work that we've been tendering has really  
11 not led to the out-of-province contractors being in --  
12 you know, being interested or being successful, anyway,  
13 at getting that work.

14 MR. BOB PETERS: What is the nature of  
15 that work?

16 MR. DAVID PETURSSON: It's primarily our  
17 general mains and services contracts, you know, the --  
18 typically the out of province contractors are attracted  
19 by simil -- larger project work. Our general mains and  
20 services contract is -- is and has been for quite a while  
21 supplied internally within the province.

22 MR. BOB PETERS: Is the Brandon  
23 unodourized pipe improvement contracted out?

24 MR. DAVID PETURSSON: Yes, it is.

25 MR. BOB PETERS: So -- to somebody from

1 out of province?

2 MR. DAVID PETURSSON: Oh, I'm -- I'm  
3 sorry. It will be contrac -- I thought you were asking  
4 --

5 MR. BOB PETERS: Oh.

6 MR. DAVID PETURSSON: -- is it going to  
7 be contracted. It -- it will be contracted. It hasn't -  
8 - the -- the tender has not been let yet.

9 MR. BOB PETERS: But you -- you also  
10 contract out what I'll call "base business" and you've  
11 maybe called it "residential main extensions," that's a  
12 type of work you do contract out?

13 MR. DAVID PETURSSON: We will contract  
14 that work out, yeah, at times. But that's also some of  
15 the work that we do internally too.

16 MR. BOB PETERS: All right. When you  
17 contract out that type of base business, perhaps  
18 including the four (4) party trench, is that contracted  
19 out for a period of time or is it by project by project?

20 MR. DAVID PETURSSON: That is contracted  
21 out on a period-of-time basis.

22 MR. BOB PETERS: And what is that period  
23 of time in which contractors can get your base business  
24 by way of contract?

25 MR. DAVID PETURSSON: It's contracted out

1 on a -- a -- I believe it's a two (2) year basis and --  
2 and what contractors can get it, I would suggest it would  
3 be low bidder.

4 MR. BOB PETERS: Can you tell the Board  
5 whether construction costs have come down from a year or  
6 two ago?

7 MR. DAVID PETURSSON: No, they have not.

8 MR. BOB PETERS: Are they escalating as -  
9 - as rapidly as they were a year ago?

10 MR. DAVID PETURSSON: I know they are  
11 going up, as to the rate of escalation of them, I don't  
12 have that information handy.

13 MR. BOB PETERS: I just need to  
14 understand your last answer. They're now increasing but  
15 you're not aware of whether it's as high a rate as it was  
16 previously?

17 MR. DAVID PETURSSON: My understanding is  
18 that they are -- the costs are not going down, they --  
19 they are going up. As to comparing with the -- the rate  
20 toda -- the rate of increase today versus the rate of  
21 increase a year ago, I just don't have the numbers in  
22 front of me to be able to quantify that comparison.

23 MR. BOB PETERS: In terms of the four (4)  
24 party trench that you mentioned to the Board, as I  
25 understand it, four (4) party trench methodology is more

1 expensive than conventional installations.

2 Is that correct?

3 MR. DAVID PETURSSON: You're looking for  
4 that preview of the report, aren't you?

5 MR. BOB PETERS: Well, all right. I  
6 thought we had covered that ground before, but if -- but  
7 the cost is going to be compared to conventional  
8 installations, and in the -- in the report due later this  
9 month?

10 MR. DAVID PETURSSON: Well, here, I'll  
11 give you a little peek. The -- when we talk about costs  
12 on the -- what we -- the costs that we will be addressing  
13 in that report look at the full cost of development of an  
14 area. The -- the one thing that we do know for sure is  
15 four (4) party does cost more initially to put in,  
16 however the services that subsequently go in cost less.

17 And the only true method of evaluating it  
18 is to look at the total cost picture, including the cost  
19 of mains, the subsequent costs of services, and some  
20 impact on the O&M. That wou -- that -- that's what we'll  
21 be addressing in the June 30th report to show the total  
22 cost picture between the two (2).

23 MR. BOB PETERS: I think I'll leave those  
24 questions and that area then until the Board has an  
25 opportunity to see the report.

1                   Mr. Barnlund, you'd be familiar with and  
2 perhaps Mr. Peter -- Petursson, as well, that the  
3 economic feasibility test that the Corporation now uses  
4 is often called a thirty (30) year net present value  
5 test?

6                   MR. GREG BARNLUND:    That's correct.

7                   MR. BOB PETERS:    And there's a desire to  
8 make sure by the end of the fifth year the revenue to  
9 cost ratio is above one (1), meaning that it's  
10 contributing and not being subsidized by other consumers?

11                  MR. GREG BARNLUND:    That's fair.

12                  MR. BOB PETERS:    Am I correct that the  
13 Corporation has not revised their economic feasibility to  
14 test to reflect falling residential consumptions?

15                  MR. GREG BARNLUND:    That's correct.

16                  MR. BOB PETERS:    Why don't you use the  
17 more accurate residential consumptions in the feasibility  
18 tests that you now do?

19                  MR. GREG BARNLUND:    Well, it's a matter  
20 that's currently under study.  We're -- we're taking a  
21 look at -- at that assumption to see if there -- if it --  
22 any change is warranted.  Anecdotaly, though, what we're  
23 seeing is that the mix of customers that are being served  
24 by new service extensions, that are being revenue tested  
25 using the feasibility study, present a different

1 appliance mix, a different load mix than what you would  
2 probably associate with the average usage on the system.

3           And so there -- has been some anecdotal  
4 evidence or some information that suggests that the  
5 average usage of those new customers is probably slightly  
6 higher than the overall system average that we would be  
7 reporting in each rate case. It's safe to say, we are  
8 looking at it, and if we determine that a change is  
9 warranted we would be advising the PUB of that.

10           MR. BOB PETERS: Well, conceptually then,  
11 Mr. Barnlund, if a feasibility test is done using the  
12 conventional installation costs and volume assumptions  
13 that you've had in past, even though four (4) party  
14 trench is the method of installation, it may understate  
15 what if any customer contribution is needed.

16           Would you agree with that?

17           MR. GREG BARNLUND: Well, to the extent  
18 that the revenue assumption may vary -- the actual  
19 revenues may vary from what is used as the assumption in  
20 the feasibility study would have an impact on the outcome  
21 of the contribution.

22           MR. BOB PETERS: And if you're studying  
23 it, when do you expect to have reached a conclusion that  
24 you would be prepared to present to this Board?

25           MR. GREG BARNLUND: I'm not aware of the

1 exact timeline with regards to that. I know the work is  
2 underway currently, but we would endeavour to advise the  
3 Board, you know, once that information is available.

4 MR. BOB PETERS: Maybe one (1) last area,  
5 Mr. Petursson and Mr. Barnlund, on the capital. When  
6 there is a main extension that caught the Board's eye in  
7 the RM of Wallace, it was an extension to serve one (1)  
8 customer.

9 Are you familiar with that?

10 MR. GREG BARNLUND: Can you provide a  
11 reference for that, Mr. Peters?

12 MR. BOB PETERS: PUB-121 will be -- be  
13 the -- the Information Request, and I think it's down to  
14 sub-L, Attachment 3.

15 MR. GREG BARNLUND: If you can just give  
16 me a minute, I'm going to pull that up.

17 MR. BOB PETERS: All right.

18

19 (BRIEF PAUSE)

20

21 MR. GREG BARNLUND: And can you direct me  
22 to the atta -- the specific attachment, Mr. Peters.  
23 Sorry, there's a lot there.

24 MR. BOB PETERS: Attachment 3, page 1 of  
25 3.



1 MR. GREG BARNLUND: I have that.

2 MR. BOB PETERS: And can you explain --  
3 this is for a commercial customer, correct?

4 MR. GREG BARNLUND: I'll take that  
5 subject to check. I'm not, you know, intimately aware  
6 with -- of this particular one, but let me try and answer  
7 your question, sir.

8 MR. BOB PETERS: All right, well, fair  
9 enough. But the volumes used in the assumptions are the  
10 same volumes as for a residential customer.

11 Do you agree?

12 MR. GREG BARNLUND: They appear to be.

13 MR. BOB PETERS: So whether this customer  
14 is residential or commercial -- maybe nothing hinges on  
15 that, but here's a customer who wants to use what is  
16 equivalent to, in your feasibility test, residential  
17 volumes and as a result of this has to pay seventy-six  
18 thousand dollars (\$76,000) to get natural gas.

19 Is that correct?

20 MR. GREG BARNLUND: I'm going to take  
21 that subject to check, but I think what this might be --  
22 it may be an extension to pick up a grain dryer or a crop  
23 dryer application.

24 Under those circumstances, we use very,  
25 very conservative revenue assumptions in our feasibility

1 study. So let me just describe the situation, assuming  
2 that this is a grain dryer because the numbers look like  
3 it would be representative of an attachment of a crop  
4 dryer or grain dryer.

5 They're very intermittent usage loads.  
6 They may not be using them every year. They may use them  
7 every second year, so we build in some very conservative  
8 assumptions from the revenue side into the feasibility  
9 study.

10 We fully cost the service installation  
11 reflective of a commercial-size load that's being  
12 attached, so the costs are, you know, reasonably  
13 significant. The revenue assumptions are very, very  
14 conservative and it produces the contribution -- a fairly  
15 sizeable contribution as we can see from this particular  
16 example.

17 MR. BOB PETERS: After the true-up was  
18 done for this particular customer, it was determined that  
19 the customer contribution should be about seventy-five  
20 thousand dollars (\$75,000) and, therefore, there was a  
21 refund of only about eight hundred dollars (\$800) to the  
22 customer.

23 Do you recall that being the case as well?

24 MR. GREG BARNLUND: I'll have to take  
25 that subject to check, sir.

1                   MR. BOB PETERS:    And you'll see that on  
2 Attachment 4, page 1 of 3, dated March 31, 2009.

3                   MR. GREG BARNLUND:    Yes, I have that.

4                   MR. BOB PETERS:    Does that -- does that  
5 not strike you as unusual, Mr. Barnlund, that a customer  
6 would pay seventy-six thousand dollars (\$76,000)  
7 initially after using the gas for a number of years.  The  
8 contribution reflects that his usage was such that the --  
9 that the correct contribution was seventy-five thousand  
10 dollars (\$75,000) -- still a significant number for what  
11 amounts to residential input volumes.

12                   MR. GREG BARNLUND:    If you could just  
13 give me a second, Mr. Peters.  I just have to check one  
14 (1) thing.

15

16                                   (BRIEF PAUSE)

17

18                   MR. GREG BARNLUND:    Certainly on the face  
19 of it, it seems unusual.  But in terms of -- assuming  
20 this is a crop dryer installation because it -- it looks  
21 typical to what we would see in that regard.  Usually an  
22 -- an agricultural customer, in installing a crop dryer,  
23 has two (2) choices:  They can burn propane; or they can  
24 request gas service from us.  And we would, you know,  
25 provide them gas service based upon, you know, them

1 paying a contribution.

2                   It may be that the customer is willing to  
3 pay a seventy five thousand dollars (\$75,000)  
4 contribution to have that service available for that  
5 crop-dryer application as opposed to paying significantly  
6 higher prices for propane over the course of the use of  
7 that equipment. That's very long-lived equipment so  
8 they're making a long-term investment decision based on  
9 that.

10                   It's really hard to interpret from just  
11 looking at the -- the outcome of a feasibility study in  
12 terms of their motivations but it's not unusual, from our  
13 experience, in terms of the agricultural community in  
14 making those decisions.

15                   MR. BOB PETERS: All right. And without  
16 asking for an undertaking, perhaps you can check that and  
17 if your speculation, if I can call it that, has been  
18 incorrect, you can advise the Board in writing through  
19 your counsel as to what a -- a more correct understanding  
20 of the facts would include without disclosing the  
21 customer's name.

22                   MR. GREG BARNLUND: Certainly.

23                   MR. BOB PETERS: Thank you.

24                   In turning to the Corporate Strategic  
25 Plan, at Tab 30 of the book of documents is some

1 information. But before I get there, Mr. Warden, you may  
2 have told your colleagues on the -- on the gas panel and  
3 this panel that an outline of a bench-marking study is  
4 being requested by the Public Utilities Board from  
5 Manitoba Hydro's electric side. You recall that Board  
6 Order 150 of '09, sir?

7 MR. VINCE WARDEN: Yes, I do.

8 MR. BOB PETERS: And if you don't recall,  
9 would you agree that the date for that also is the end of  
10 June of 2009?

11 MR. VINCE WARDEN: It is.

12 MR. BOB PETERS: And that benchmarking  
13 study, will the Board expect that, Mr. Warden, to also  
14 contain an outline as to what would be looked at from --  
15 for gas operations or would it simply be restricted to  
16 electrical operations?

17 MR. VINCE WARDEN: It will include  
18 natural gas as well, Mr. Peters.

19 MR. BOB PETERS: And, of course, in  
20 benchmarking studies, Mr. Warden, the desire is to  
21 compare apples to apples, correct?

22 MR. VINCE WARDEN: Yes.

23 MR. BOB PETERS: All right. And in terms  
24 of the Corporate Strategic Plan, one (1) of the -- one  
25 (1) of the strategies of the Corporation is to have the

1 lowest gas distribution rates in North America.

2 MR. VINCE WARDEN: I think we state that  
3 as being among -- among the lowest.

4 MR. BOB PETERS: All right. And maybe at  
5 the time that was the plan the distribution rates were  
6 the four -- fourth lowest in Canada, they became the  
7 second lowest in Canada in the end of '07, and then at  
8 the end of '09 they were down again to the fourth lowest  
9 in Canada, is that correct?

10 MR. VINCE WARDEN: Yes.

11 MR. BOB PETERS: Can you explain to this  
12 Board what steps Centra will be using to reach its goal  
13 of having among the lowest distribution rates in North  
14 America?

15

16 (BRIEF PAUSE)

17

18 MR. VINCE WARDEN: Well, Mr. Peters,  
19 achieving that objective is somewhat difficult in -- for  
20 the gas utility, although it's a go -- still a good  
21 objective to have. It depends on a number of different  
22 factors, including what we're talking here is -- is the -  
23 - includes the commodity price as well.

24 So we are somewhat a victim of what's  
25 happening to commodity supply, and in fact total -- as --

1 as far as the commodity price is concerned, we're almost  
2 totally dependent on obtaining gas from -- from Alberta.  
3 We -- we can influence that price to some extent by our  
4 hedging program and our storage but we have limited  
5 control over the price of natural gas.

6 With respect to the distribution of that  
7 gas, we -- we do have more control in how we operate the  
8 business driving productivity savings throughout the  
9 Corporation. The four (4) party trench is probably a  
10 part of that. Are we doing things as efficiently as we -  
11 - as we can? So there's a number of different factors  
12 that we have to consider in striving -- always striving -  
13 - to achieve this goal of being the lowest -- among the  
14 lowest in North America.

15 MR. BOB PETERS: You'd agree with me, Mr.  
16 Warden, that other jurisdictions also face the market  
17 price for natural gas?

18 MR. VINCE WARDEN: Absolutely they do,  
19 yes.

20 MR. BOB PETERS: And that's a constant in  
21 terms of a comparator. Whether it's Manitoba or some  
22 other jurisdiction, everybody has to --

23 MR. VINCE WARDEN: Yes, the -- the  
24 transportation costs are different, of course, depending  
25 on where the Utility is located geographically, but as

1 far as the commodity at a certain hub, that those costs  
2 are the same.

3 MR. BOB PETERS: So it's recognized then  
4 that distribution rates are the place where the  
5 Corporation can have the greatest impact on meeting this  
6 strategic goal.

7 MR. VINCE WARDEN: Distribution,  
8 transportation, storage, capacity management revenues --  
9 all of those things together enter into the equation.

10 MR. BOB PETERS: Mr. Warden, are you  
11 aware as to why a strategic goal would be to have a  
12 certain percentage of commodity sales handled by the Gas  
13 Company as opposed to perhaps direct purchase?

14 MR. VINCE WARDEN: I think it's always  
15 been just a sort of a somewhat of a benchmark. If that --  
16 -- if that percentage varies significantly -- if it goes  
17 down significantly from what it has been historically, it  
18 might be an indicator that we're doing -- not serving the  
19 customer as well as we -- we should be.

20 So, it's not a -- a real strong area of  
21 focus, but it is just one (1) of those indicators that we  
22 monitor from time to time.

23 MR. BOB PETERS: All right, and on a  
24 cost-per-customer basis for operating administration and  
25 maintenance costs for natural gas, it's the -- shown also



1 on PUB/CENTRA-3K which is at Tab 30 of the book of  
2 documents.

3 The cost-per-customer measurement, while  
4 perhaps of some value early, it appears that the target  
5 is regularly in -- moving upwards. The target itself is  
6 moving.

7 MR. VINCE WARDEN: Well, the cost per  
8 customer will move simply because of increase --  
9 increasing costs due to normal cost pressures, inflation  
10 and higher cost of doing business. So this represents  
11 what we have in our operating forecast for -- for  
12 operating and administrative costs simply divided by the  
13 number of customers we serve.

14 So it's -- unless we're serving an inc --  
15 an ever-increasing number of customers, this cost will  
16 naturally rise over time.

17 MR. BOB PETERS: Rise by more than  
18 inflation?

19 MR. VINCE WARDEN: No, as a matter of  
20 fact, I believe it's very closely aligned with inflation  
21 and might even be slightly under inflation over the  
22 longer term.

23 MR. BOB PETERS: If the -- if the goal  
24 line keeps moving, how do we -- how does Centra monitor  
25 the success on -- on this particular matter?

1 MR. VINCE WARDEN: Keep changing the goal  
2 line. And that's -- you know --

3 MR. BOB PETERS: But the goal line --

4 MR. VINCE WARDEN: -- to -- to be  
5 expected, we have a different target every year that we -  
6 - that we monitor -- monitor against.

7 MR. BOB PETERS: You're saying the -- the  
8 goal line will move by a factor close to inflation every  
9 year.

10 MR. VINCE WARDEN: Well, just as we  
11 revise our budgets every year to reflect updated cost  
12 estimates, this number would also change.

13 MR. BOB PETERS: Thank you. I'd like to  
14 turn to Tab 31 of the book of documents and look at the  
15 Return on Rate Base Schedule 5.9.3.

16 And am I correct, Mr. Derksen -- and, Mr.  
17 Chairman, this would have been a May 29th, 2009 update  
18 that I'm looking at. I'll ask Mr. Derksen to confirm  
19 that it hasn't been further updated.

20 MR. WILLY DERKSEN: It has not been  
21 further updated.

22 MR. BOB PETERS: And so some parties will  
23 -- I think it's in the Board's book of documents and  
24 others will have it on the yellow paper circulated on May  
25 29th.

1                   This schedule has been updated to reflect  
2 the removal of the Brandon unodourized pipeline  
3 improvement from rate base?

4                   MR. WILLY DERKSEN:    Yes.

5                   MR. BOB PETERS:    And it's also been  
6 amended to re -- to reflect the adjustment in the  
7 weighting for long-term debt and short-term debt?

8                   MR. WILLY DERKSEN:    Yes.

9                   MR. BOB PETERS:    And the equity  
10 percentage has also reflected -- has been updated to  
11 reflect Mr. Warden's preliminary update of the net income  
12 and the retained earnings of Centra?

13                   MR. WILLY DERKSEN:    Yes, it has.

14                   MR. BOB PETERS:    All right. Mr. Derksen,  
15 perhaps the one (1) number that hasn't been revised, in  
16 terms of how it's calculated, is the cost rate applied to  
17 the equity.

18                   That number hasn't been updated, has it?

19                   MR. WILLY DERKSEN:    It has not.

20                   MR. BOB PETERS:    That, to remind the  
21 Board, Mr. Derksen, is based on a formula that was  
22 established back in Order 49 of 1995?

23                   MR. WILLY DERKSEN:    I believe that's  
24 correct, Mr. Peters, yes.

25                   MR. BOB PETERS:    And the formula that was

1 established by the Board did have certain parameters  
2 built into it, and if the parameters were breached that  
3 was supposed to indicate a need for updating the cost  
4 rate on equity.

5 Do you recall that?

6 MR. WILLY DERKSEN: Yes, there was a  
7 timeframe as well as a -- a debt rate that was embedded  
8 in those parameters.

9 MR. BOB PETERS: And you'd agree that the  
10 -- the parameters have -- have been breached, as it were?

11 MR. WILLY DERKSEN: Yes.

12 MR. BOB PETERS: And there are apparently  
13 no plans by Centra to seek to revise or provide evidence  
14 to the Board to seek to revise the cost rate.

15 Would that also be correct?

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

17 MR. BOB PETERS: You're aware that the  
18 National Energy Board and the Ontario Energy Board have  
19 embarked on it in various stages of reviewing cost of  
20 capital issues?

21 MR. WILLY DERKSEN: I'm aware of that,  
22 yes.

23 MR. BOB PETERS: And if the formula used  
24 in Manitoba was modernized, if I can use that word, would  
25 the 8.36 percent cost rate on equity, in your view,

1 increase or decrease?

2 MR. WILLY DERKSEN: My understanding, Mr.  
3 Peters, is that the utilities feel that it would have to  
4 increase and therefore our cost -- our equity return rate  
5 would increase.

6 MR. BOB PETERS: And while that may be  
7 the Utility's view, it may not be the consumer's view?

8 MR. WILLY DERKSEN: That's why we have  
9 hearings on these things, I believe.

10 MR. BOB PETERS: And -- but we're not  
11 planning to have a hearing, according to Centra, on this  
12 issue?

13 MR. WILLY DERKSEN: We're not proposing  
14 to have that looked at, that's right.

15 MR. BOB PETERS: Do you think it would be  
16 appropriate for Centra to simply adopt the results that  
17 come out of other jurisdictions or do you think it has to  
18 be a matter -- a number that is calculated and based here  
19 in Manitoba?

20 MR. WILLY DERKSEN: I think we should  
21 look at the circumstances for Manitoba and apply it  
22 against this Utility itself. There are certainly  
23 different factors that have to apply, based upon the size  
24 of the utility and other factors as well.

25 Our Application is based primarily on the

1 cost-of-service basis with the rate base rate of return  
2 information supplied as -- as backup. So it -- and --  
3 and given that there is no external shareholder that  
4 would profit or -- or lose from this -- this calculation,  
5 it's not as relevant, at least from my perspective, in  
6 this jurisdiction in our situation, as it is in some of  
7 these other jurisdictions where there are private  
8 shareholders involved.

9 MR. BOB PETERS: If there were private  
10 shareholders involved, Mr. Derksen, the -- the equity  
11 return would be in the range of \$12 million for the first  
12 year -- test year and \$12.3 million for the second test  
13 year?

14 MR. WILLY DERKSEN: That would be,  
15 assuming the 8.36 percent equity rate, yes.

16 MR. BOB PETERS: I want to turn to a new  
17 topic with you, Mr. Derksen, and that is the common  
18 assets. I got to thinking about what you've helped the  
19 Board with in the last day or two (2), in terms of the  
20 accounting.

21 Would I be correct that up until a few  
22 years ago, there was one (1) balance sheet for Centra and  
23 then there was another balance sheet for Manitoba Hydro  
24 for their assets that they acquired?

25 MR. WILLY DERKSEN: Yes, that's still the

1 case. However, there are assets that are shared now that  
2 -- on one (1) balance sheet that are shared by both  
3 utilities.

4 MR. BOB PETERS: So what -- and that's  
5 the point that I maybe didn't understand yesterday, Mr.  
6 Derksen, is that when you -- when -- when Manitoba Hydro  
7 acquired the shares of Centra it also required -- it also  
8 acquired the balance sheet assets of Centra and kept that  
9 balance sheet?

10 MR. WILLY DERKSEN: Yes.

11 MR. BOB PETERS: And likewise on the  
12 Hydro side, there were assets that were acquired pre-  
13 acquisition of Centra Gas and they remain on a separate  
14 Manitoba Hydro balance sheet?

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

16 MR. BOB PETERS: But now -- now, you can  
17 perhaps tell the Board starting when all assets that are  
18 acquired are considered common assets?

19 MR. WILLY DERKSEN: The operational  
20 assets for the gas utility are still being acquired by  
21 Centra and maintained on the Centra Gas balance sheet.  
22 It's the general plant assets that are now being acquired  
23 solely by Manitoba Hydro and allocated -- the costs,  
24 which are allocated to each utility based upon various  
25 cost driver factors.

1                   So the general plant assets would include  
2 things like facilities, computer system development,  
3 vehicles, tools, those sorts of things.

4                   MR. BOB PETERS:   Included in that answer,  
5 Mr. Derksen, are you telling the Board that now all  
6 common assets are shown only on the Manitoba Hydro  
7 balance sheet?

8                   MR. WILLY DERKSEN:   All newly acquired  
9 common assets are acquired by Manitoba Hydro and are  
10 shown only on the Manitoba Hyd -- Hydro balance sheet.  
11 Centra Gas assets that still exist have been maintained  
12 on the Centra Gas balance sheet, but over time they will  
13 -- they will be retired and Centra, at some point in  
14 time, will no longer have those types of assets on its  
15 balance sheet.

16                   MR. BOB PETERS:   And if we turn with the  
17 Board to tab of documents 32, we'll see a schedule of  
18 common assets from PUB-CENTRA-50 sub-B, Mr. Derksen.  And  
19 the Centra column reflects the original Centra owned and  
20 acquired assets pre-acquisition of its shares by Manitoba  
21 Hydro?

22                   MR. WILLY DERKSEN:   Yes.  Those would be  
23 the ones that are still remaining in Centra.

24                   MR. BOB PETERS:   And so there's a total  
25 of \$26 million of such assets?



1 MR. WILLY DERKSEN: Yes.

2 MR. BOB PETERS: And Manitoba Hydro shows  
3 \$627 million of such -- of -- of common assets. Those  
4 would include both what were acquired before shares of  
5 Centra were acquired by Manitoba Hydro and also the now  
6 common assets acquired?

7 MR. WILLY DERKSEN: Yes. That's correct.

8 MR. BOB PETERS: And the Manitoba Hydro -  
9 - the Manitoba Hydro balance sheet -- schedule of common  
10 assets includes the new head office?

11 MR. WILLY DERKSEN: It will include the  
12 new head office, yes.

13 MR. BOB PETERS: And as you've told the  
14 Board in, I think, an answer -- your third or fourth  
15 answer -- that the -- the cost of ownership of these  
16 common assets is now allocated to each of Centra and  
17 Manitoba Hydro, based on cost drivers?

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

19 MR. BOB PETERS: If we look at a longer  
20 term view of the common assets as found on the next page,  
21 at Tab 32 of the book of documents -- this is PUB-CENTRA-  
22 50, sub C, dated -- attachment dated March 31, 2009 --  
23 this demonstrates, Mr. Derksen, that Manitoba Hydro's  
24 common assets are -- are increasing from \$654 million up  
25 to a billion dollars by the second test year -- by 2011.

1 MR. WILLY DERKSEN: Yes.

2 MR. BOB PETERS: And the Board would be  
3 correct in understanding that the new headquarters is the  
4 primary driver of that increase?

5 MR. WILLY DERKSEN: Yes.

6 MR. BOB PETERS: Turning to the third  
7 document at Tab 32, PUB/CENTRA-50 sub "D" attachment,  
8 page 1 of 2, this is a depiction, Mr. Derksen, of the  
9 common assets that are charged from Manitoba Hydro's  
10 column over to Centra Gas.

11 MR. WILLY DERKSEN: Yes.

12 MR. BOB PETERS: And when we look at this  
13 interest on the common assets, again, we have the  
14 Corporation's assurance that no part of this interest  
15 allocated to Centra is related to the new headquarters  
16 building?

17 MR. WILLY DERKSEN: That's correct, yes.

18

19 (BRIEF PAUSE)

20

21 MR. BOB PETERS: Centra now operates with  
22 one (1) common overhead pool, not two (2).

23 Is that also correct?

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

25 MR. BOB PETERS: And we see at Tab 33 of

1 the book of documents, which is PUB/CENTRA-38 attachment,  
2 page 2 of 2, that approximately 27 percent in '07/'08 of  
3 -- of the common ass -- common overheads were allocated  
4 to the Gas Company?

5 MR. WILLY DERKSEN: The rate that's shown  
6 here is the add-on rate to activity charges. So the am -  
7 - the percentage of -- of overhead that's charged to  
8 Centra or allocated to Centra would be the split of the  
9 activity rates, which is roughly 11 percent.

10 If Centra had incurred 11 percent of the  
11 activity charges, then it would get 11 percent of the  
12 overhead through this methodology.

13 MR. BOB PETERS: When we look at the  
14 total common overhead pool at line 5, Mr. Derksen,  
15 there's no headquarter costs included in either of those  
16 two (2) years as show, is there?

17 MR. WILLY DERKSEN: That's correct.  
18 There's no new head office costs.

19 MR. BOB PETERS: And by way of example,  
20 what would be included in the common overhead pool?

21 MR. WILLY DERKSEN: The 820 Taylor  
22 Building, depreciation, interest, taxes, repairs and  
23 maintenance, the 444 St. Mary Avenue Building, other  
24 buildings that are shared by both Utility personnel.  
25 There'd be a computer system, development and computer

1 systems that are used by both organizations, and there'd  
2 be administrative and general costs -- accounting,  
3 executive, human resources -- those sorts of things.

4 And as well, there would be common tools  
5 and work equipment that are included in that category.

6 MR. BOB PETERS: We don't see what the  
7 common overhead pool total is, including the  
8 headquarters, on this sheet, do we, Mr. Derksen?

9 MR. WILLY DERKSEN: No, you don't.

10 MR. BOB PETERS: So we have no way of  
11 knowing what common overheads will -- will stay with the  
12 parent company for the test years.

13 MR. WILLY DERKSEN: Well, I think you can  
14 get comfort that the overhead rate has not gone up. If  
15 the new head office had been allocated and included in  
16 the common overhead pool, there would be an increase to  
17 that overhead pool in the order of, I'm thinking, \$20 to  
18 \$30 million, and that would give rise to an overhead rate  
19 increase in the order of 6 percent -- 5 or 6 percent.

20 So the fact that the overhead rate stays  
21 at the 27 percent pre-new-head-office level demonstrates  
22 that the new head office is not in there.

23 MR. BOB PETERS: Are the -- are the  
24 common overhead costs of the new headquarters then just  
25 put as a journal entry to Manitoba Hydro, or how are they

1 allocated to Manitoba Hydro?

2 MR. WILLY DERKSEN: They are allocated --  
3 they are maintained -- the -- they're classified as -- as  
4 common assets on the schedule even though they are -- the  
5 costs are fully allocated to the Electric operation.

6 MR. BOB PETERS: And that allocation is  
7 by way of journal entry?

8 MR. WILLY DERKSEN: Yes.

9 MR. BOB PETERS: All right, so when I  
10 look at these percentage figures, maybe the point I  
11 didn't appreciate was that the percentage would increase  
12 if the common overhead pool had increased.

13 So it's not just that the percentage  
14 remains the same, but whatever that pool is, that  
15 percentage would change based on the num -- the dollar  
16 amount of -- of common overheads.

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

18 MR. BOB PETERS: All right. Thank you  
19 for that.

20 Because you allocate the new headquarters  
21 building by way of a journal entry to the electric side  
22 of the Business, can the Board conclude that these same  
23 percentage overheads are utilized on the Manitoba Hydro  
24 side?

25 MR. WILLY DERKSEN: Yes, they are. It's

1 a common rate for both gas and electric.

2

3 (BRIEF PAUSE)

4

5 MR. BOB PETERS: We talked about  
6 operating and administrative expenses, and I guess in  
7 fairness to Mr. Warden, I should draw the Board's  
8 attention to -- to them specifically.

9 The -- the book of documents Schedule  
10 3.0.0 shows \$59 million and \$60 million, respectively,  
11 for the two (2) test years of operating and  
12 administrative expenses.

13 That's a number you -- you can -- you're  
14 familiar with or can -- can confirm, Mr. Derksen?

15 MR. WILLY DERKSEN: Yes.

16 MR. BOB PETERS: And 100 percent of  
17 Centra's O&A expenses are derived through the integrated  
18 cost allocation methodology?

19 MR. WILLY DERKSEN: Yes.

20 MR. BOB PETERS: And that integrated cost  
21 allocation methodology will be the subject of a review at  
22 some point in time?

23 MR. WILLY DERKSEN: Yes, we have been  
24 directed to review that and -- and our expectation is  
25 that it's appropriate to do that after the implications

1 of International Financial Reporting Standards are fully  
2 understood and put in place.

3 MR. BOB PETERS: And -- and while you say  
4 that, Mr. Derksen, you're not able to provide the Board  
5 with a date or a range -- a period of time in which that  
6 is expected?

7 MR. WILLY DERKSEN: Well, Mr. Warden, I  
8 believe, briefly alluded to that yesterday and it would  
9 be sometime after April of 2011 when we are fully  
10 operating under the -- when we -- we are expected to be  
11 fully operating under IFRS.

12 MR. BOB PETERS: To be clear, Mr.  
13 Derksen, is the study outline able to be constructed  
14 earlier than April of 2011, or do you need to wait till  
15 that point in time to -- to develop the study outline?

16 MR. WILLY DERKSEN: I -- I think we could  
17 develop a study outline prior to that, but it would not  
18 be appropriate to develop that outline as of yet. So  
19 sometime when the -- when the understanding of the  
20 implications is a bit further and we understand what  
21 changes we'll have to make to our cost allocation  
22 methodology would be -- it would be appropriate to  
23 prepare an outline.

24 MR. BOB PETERS: Is that suggesting  
25 January/February, 2010?

1 MR. WILLY DERKSEN: I think  
2 January/February 2011 would be more along my way of  
3 thinking.

4 MR. BOB PETERS: I won't negotiate on the  
5 microphone, and it's not for me to negotiate, in any  
6 event.

7 THE CHAIRPERSON: Mr. Peters, would this  
8 be too early to take a break?

9 MR. BOB PETERS: No. This would be fine.

10 THE CHAIRPERSON: Okay.

11 MR. BOB PETERS: We'll talk about O&A  
12 costs by business unit on our return in Tab 32 of the  
13 book of documents, Mr. Chairman, and -- and --

14 THE CHAIRPERSON: We await with eager  
15 anticipation.

16 MR. BOB PETERS: All right. Thank you.

17

18 --- Upon recessing at 10:31 a.m.

19 --- Upon resuming at 10:58 a.m.

20

21 THE CHAIRPERSON: Okay. Welcome back,  
22 everyone.

23 Mr. Peters...?

24 MR. BOB PETERS: Thank you, Mr. Chairman.

25 THE CHAIRPERSON: We've heat up here now,



1 you'll be happy to know.

2 MS. MARLA MURPHY: Sorry, Mr. Peters,  
3 just before you begin, we have a couple of points of  
4 clarification. Mr. Warden wanted to just address the  
5 issue of the comment he'd made just before the break with  
6 respect to the Brandon Coal Plant and its operations.

7 MR. BOB PETERS: Yes. Please.

8 MR. VINCE WARDEN: Yes. I just wanted to  
9 clarify, I think I did mention that the -- the data which  
10 Brandon Coal Plant could only be used for emergency  
11 purposes was December 31st, 2011. Actually, I'm not sure  
12 how I got that in my mind, but that isn't correct.

13 The effective date of the new regulations  
14 are January the 1st, 2010, so it's not that far away. We  
15 -- and the regulations are still being developed, but it  
16 is highly likely that the -- the combustion turbines will  
17 be running more frequently.

18 The only time that Brandon Coal will be  
19 allowed to be run will be for -- in drought situations.  
20 Other system emergencies will require the running of the  
21 CTs (phonetic) first, so the amount of gas consumed at --  
22 at Brandon for the combustion turbines will -- will  
23 increase quite significantly in the future.

24 MS. MARLA MURPHY: Mr. Chairman, while  
25 we're at it, there's one (1) more point of clarification

1 unless there's something further you wanted to follow up  
2 with Mr. Warden? But Mr. Barnlund can also offer some  
3 information with respect to the customer in the RM of  
4 Wallace.

5 MR. GREG BARNLUND: Yes. Thank you. The  
6 service extension to the customer in the RM of Wallace  
7 was -- for non-residential extension it was an  
8 intermittent small industrial load. It was actually for  
9 a -- an oil battery, which is an oil well installation, 4  
10 kilometre extension, regarding that usage.

11 And the circumstances are similar to that  
12 that we experience for these rural extensions for  
13 intermittent usage applications like crop dryers or, in  
14 this case, for an oil battery.

15

16 CONTINUED BY MR. BOB PETERS:

17 MR. BOB PETERS: Mr. Warden, just back to  
18 the Brandon Coal Plant issue. Can I take from -- from  
19 the opportunity you've had to reflect on it and perhaps  
20 gather more information that there will in fact be a  
21 change in the operation of the gas turbines then that is  
22 now intended?

23 MR. VINCE WARDEN: Yes. That's not  
24 totally determined yet because the regulations haven't  
25 been finalized that we do expect that by the end of --



1 that, sir.

2 I want to get back to operating and  
3 administration -- administration expenses and turning to  
4 the book of documents, Tab 34, was the total spending by  
5 Business unit and line 19, Mr. Chairman and Board  
6 members, of PUB/CENTRA-159B sets out the total  
7 capitalized operating and maintenance expenses.

8 Mr. Derksen, these are in addition to  
9 those expenses on the bottom half of the page, correct?

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

11 MR. BOB PETERS: And the very last line  
12 on the page indicates that back from 2004, Centra was  
13 capitalizing approximately 16 percent of its overheads  
14 and now it's forecast to capitalize 20 percent of its  
15 overheads going forward.

16 MR. WILLY DERKSEN: What that percentage  
17 is really telling you is that the percentage of internal  
18 costs capitalized relative to the percentage of operating  
19 costs has moved from 16 percent to 20 percent. It's not  
20 saying that 16 percent of the total costs were  
21 capitalized in the early year and 20 percent in latter  
22 years. It's -- it's -- it's a different metric that's  
23 shown on this page than what you described.

24 MR. BOB PETERS: All right, thank you for  
25 that clarification.

1                   Again, all of these would be allocations  
2 from the total Manitoba O&A expenses.

3                   MR. WILLY DERKSEN:    Yes.

4                   MR. BOB PETERS:    And turning to the next  
5 document at book of documents, Tab 34, there is a  
6 Schedule 4.7.1 and on page 2 of 2, line 8, there's an  
7 indication for environmental management which has had --  
8 which is forecast to have some significant increase in  
9 the test years.

10                  Can you explain that, Mr. Derksen?

11                  MR. WILLY DERKSEN:    Yes.  That increase  
12 relates to environmental monitoring that will be required  
13 and is being performed at 35 Sutherland Avenue.  Through  
14 the last few years there has been work in place to get  
15 consensus and agreement with -- with several parties as  
16 to what action to take with the 35 Sutherland site.

17                  Centra has proposed a monitoring program  
18 which will cost in the order of two hundred (200) or  
19 three hundred thousand (300,000) a year, depending upon  
20 the -- the specific cycle of monitoring activities.

21                  And so this 2009/'10 increase relates to  
22 the monitoring program at Sutherland.

23                  MR. BOB PETERS:    In addition to the  
24 monitoring expenses, is there going to be remediation  
25 expenses incurred?

1                   MR. WILLY DERKSEN:    That won't be able to  
2 be determined until such time as the agencies that Centra  
3 is dealing with -- and I believe it's city, province and  
4 -- and federal -- come to agreement as to what course of  
5 action is necessary there. Centra has proposed a  
6 monitoring program.

7                   MR. BOB PETERS:    But is the monitoring  
8 program to identify whether there's an ongoing  
9 environmental issue, or is it just to make sure the  
10 environmental issue that presently exists doesn't get  
11 worse?

12                   MR. WILLY DERKSEN:    I believe it's the  
13 latter.

14                   MR. BOB PETERS:    Is there an  
15 environmental issue there.

16                   MR. WILLY DERKSEN:    That site was the --  
17 was a former coal/gas generating plant and, yes, there  
18 are residuals in the ground there that are considered  
19 environmentally harmful. Yes, they -- they considered  
20 stable or they are stable right now. Our monitoring is  
21 showing that they are stable at this point.

22                   MR. BOB PETERS:    And is -- is there a  
23 contingent liability that the Corporation has, with  
24 respect to that property?

25                   MR. WILLY DERKSEN:    The -- it is

1 referenced in its notes to financial statements, however,  
2 the amount of remediation is not necessary -- if any, is  
3 not able to be quantified so there is no liability itself  
4 on the balance sheet.

5 MR. BOB PETERS: Is the monitoring  
6 process that is going to be embarked upon, is that going  
7 to determine whether there is site cleanup needed?

8 MR. WILLY DERKSEN: I would say that,  
9 yes, if -- if in fact the monitoring shows that site  
10 cleanup is needed, then it will -- then that's what will  
11 likely have to happen. But the monitoring is to assess  
12 whether or not, and to what extent, further site cleanup  
13 might be necessary.

14 MR. BOB PETERS: And just while we've  
15 been talking about it, can you explain to the Board, if  
16 you know, Mr. Derksen, what IFRS treatment would be of  
17 that -- of that perhaps liability?

18 MR. WILLY DERKSEN: I -- I don't think it  
19 would be any different, Mr. Peters, but, you know, it --  
20 I -- it's -- it is, I think, if you can't measure the  
21 value of a liability it's hard to represent it on your  
22 balance sheet. And -- and that's what our situation is  
23 right now, with respect to that -- that site.

24 MR. BOB PETERS: In turning to the O --  
25 O&A cost per customer, Mr. Derksen, at Tab 35 of the book

1 of documents, we have PUB/CENTRA-28A attachment, page 1  
2 of 4 set out.

3 Have you located that?

4 MR. WILLY DERKSEN: Yes, I have that.

5 MR. BOB PETERS: And from 2003/'04 the  
6 O&A costs per customer were two hundred and eight dollars  
7 (\$208) and in the test years they're rising to two  
8 hundred and twenty-three (223) and two hundred and  
9 twenty-six (226) respectively?

10 MR. WILLY DERKSEN: Yes.

11 MR. BOB PETERS: Would it be correct, as  
12 depicted on line 23, that from '03/'04 to '07/'08, the  
13 O&A expenses increased at a rate of 1.6 percent a year?

14 MR. WILLY DERKSEN: Yes, the O&A expenses  
15 increased at that rate, yes.

16 MR. BOB PETERS: And then for the last  
17 three (3) years, or including the two (2) test years --  
18 sorry, from '08/'09, plus the two (2) test years, the  
19 forecast is to increase at 2 percent a year?

20 MR. WILLY DERKSEN: Yes.

21 MR. BOB PETERS: Mr. Warden had commented  
22 earlier that they were tracking -- the O&A was tracking  
23 less than inflation and that appears to be what you're  
24 depicting here?

25 MR. WILLY DERKSEN: Yes.



1                   MR. BOB PETERS:    And is that primarily  
2 due to more cost being capitalized, Mr. Derksen?

3                   MR. WILLY DERKSEN:    No, sir.

4                   MR. BOB PETERS:    What do you attribute it  
5 to?

6                   MR. WILLY DERKSEN:    Well, it's a  
7 combination of things.  I think, you know, there have  
8 been, certainly with -- with Hydro acquiring Centra there  
9 are further synergies and productivities that are  
10 occurring.

11                   I -- I think, you know, they're -- they're  
12 doing a very good job of -- of managing the costs.  The  
13 escalation for most of that period was not all that high  
14 and -- however, more recently there has been higher  
15 escalation factors embedded.  So it's -- it's -- it's a -  
16 - it's a matter of, I think, good management in cost  
17 control.

18                   MR. BOB PETERS:    Is there also a  
19 productivity factor embedded into the O&A costs that are  
20 seen here?  Is this the -- where the 1 percent would be  
21 located?

22                   MR. WILLY DERKSEN:    Ye -- yes, there  
23 would have to be enhanced productivity.  And that's what  
24 I was referring to earlier, synergies and productivity  
25 savings over the timeframe.  You know, things like

1 implementing a common billing system help tremendously;  
2 two (2) bills in one (1) envelope help in that fac --  
3 sharing of computer systems and so on; and as well  
4 operational efficiencies.

5 MR. BOB PETERS: In terms of comparisons  
6 with other utilities that will be a subject of the  
7 benchmarking study that we've talked about previously?

8 MR. WILLY DERKSEN: That is what the PUB  
9 has asked for in their directive. Yes.

10 MR. BOB PETERS: And as part of that  
11 benchmarking study, is there a compensation review  
12 contemplated?

13 MR. WILLY DERKSEN: Similar to Mr.  
14 Petursson's answer earlier, I -- I think you're ahead of  
15 the game. We have not submitted that outline yet, and we  
16 anticipate submitting it June 30th.

17 MR. BOB PETERS: So you'll take that as  
18 an idea to consider, and the Board will find out when  
19 it's filed whether or not compensation study is part of  
20 the proposed framework for the report?

21 MR. VINCE WARDEN: I might just mention,  
22 Mr. Peters, though, we do on a regular basis compensation  
23 -- independent of benchmarking, we do conduct  
24 compensation surveys with other utilities, other  
25 organizations across Canada.

1 MR. BOB PETERS: Thank you. When was the  
2 most current one done, to your knowledge, Mr. Warden?

3 MR. VINCE WARDEN: Typically, we would do  
4 them every two (2) years, and I think we're just  
5 embarking on one (1), at -- at this time, so the --  
6 probably the most recent one we have would be  
7 approximately two (2) years old.

8 MR. BOB PETERS: Well, then we'll wait  
9 with baited breath for this report. Turning to the EFT  
10 issues. Equivalent full-time employees is a calculated  
11 number as opposed to a identified individual, would that  
12 also be correct?

13 MR. WILLY DERKSEN: Yes. That's correct.

14 MR. BOB PETERS: And approximately  
15 nineteen hundred and sixteen (1,916) activity hours per  
16 year equate to an EFT?

17 MR. WILLY DERKSEN: Yes. That's correct.

18 MR. BOB PETERS: And that's because  
19 there's no Centra employees. They're all Manitoba Hydro  
20 employees with Centra responsibilities?

21 MR. WILLY DERKSEN: Yes.

22 MR. BOB PETERS: And 75 percent, I think  
23 you've told me earlier, of the activity charges relate to  
24 payroll?

25 MR. WILLY DERKSEN: On average. Yes.

1 (BRIEF PAUSE)

2

3 MR. BOB PETERS: In terms of the EFTs at  
4 the book of document, Tab 36, we have a -- a Schedule 32  
5 -- PUB-32B, and it appears, Mr. Derksen, that the EFTs  
6 are falling in absolute number from -- in '03/'04, three  
7 hundred and fifty-three (353) EFTs on the Centra side  
8 down to three hundred and twelve (312)?

9 MR. WILLY DERKSEN: Yes. That's what  
10 it's showing.

11 MR. BOB PETERS: And while it shows  
12 there's been a drop in the EFTs, there's also been an  
13 increase in the activity charge per EFT?

14 MR. WILLY DERKSEN: Yes.

15 MR. BOB PETERS: And that would -- that  
16 would encompass not only an increase in the wages, but  
17 any other allocated overheads towards that EFT position?

18 MR. WILLY DERKSEN: Yes. That's correct.

19 MR. BOB PETERS: One (1) of the requests  
20 made, Mr. Barnlund, in the Notice of Application to the  
21 Board was Centra wanted to update its activity rates for  
22 chargeable services, do you recall that?

23 MR. GREG BARNLUND: Yes. That's correct.

24 MR. BOB PETERS: And that would be I  
25 think way back at Tab 1 of the book of documents. It's

1 item number 1C, I think, if I've noted it correctly.  
2 That was a matter that Centra has recently provided  
3 information on --

4 MR. GREG BARNLUND: Yes. Mr. Peters, I  
5 believe that we filed a response to a Information  
6 Request, I think, in our June 2nd update material that  
7 would provide the proposed company labour rates that we  
8 would be seeking to have approved. If we could turn that  
9 up.

10 MR. BOB PETERS: Yes, thank you. Mr.  
11 Chairman, I have those -- I have the response to  
12 PUB/CENTRA-120, and I have it on yellow pa -- paper which  
13 is dated June the 1st of 2009. So it would have been in  
14 materials provided just prior to the commencement of the  
15 Hearing.

16 Without going through this in -- in detail  
17 on the record, Mr. Barnlund, you've indicated that there  
18 are some labour rates that you would like increased  
19 effective August 1st, 2009.

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

21 MR. BOB PETERS: You've provided the  
22 current rate, you've provided the proposed rate, you've  
23 given us the difference. What you haven't given us is  
24 the reason for the requested increase on -- on these  
25 matters.

1                   Can you -- can you provide that now?

2                   MR. GREG BARNLUND:    Yes, and I think in  
3   the Information Response we've stated that the changes --  
4   the differences between the previous approved rates from  
5   two (2) years ago compared to the rates that we're  
6   seeking approval for now, the cost increases are related  
7   to basically general inflationary increases attributable  
8   to, what we call, higher labour and motor vehicle costs.

9                   But, essentially, these -- these company  
10   labour rates come from or arise from the activity charges  
11   that Mr. Derksen has been describing over the course of  
12   his testimony.

13                  MR. BOB PETERS:    Thank you for that  
14   answer.  When I look to the bottom portion of the chart  
15   that's attached to PUB-120 dated June 1st, 2009, the  
16   increase or decrease -- in this case, it's all increases  
17   -- by percentage is set out, and it strikes me that some  
18   of those items are higher than what would be considered  
19   regular inflation increases.

20                  MR. GREG BARNLUND:    There's two (2)  
21   things:  First of all, these are not an annual change.  
22   The previous approved would have been in our last GRA  
23   over two (2) years ago, so we're looking at a compounding  
24   of two (2) years worth of cost changes incorporated here.

25

1                   The other aspect that we need to consider  
2 is that there are likely changes in the number of hours  
3 that were used in the calculation of these rates. So  
4 cost change is one (1) aspect. The number of budgeted  
5 hours would be the other relevant factor in terms of  
6 those changes.

7                   Those two (2) things, taken in  
8 combination, could produce, obviously, an increase or a  
9 change in excess of what the annual cost of inflation  
10 could be.

11                   MR. BOB PETERS:    Would you be able to  
12 provide the -- the calculation for the damage repairs,  
13 Winnipeg East, Interlake, and then also metering service  
14 increases? Could you provide the -- the work-up of your  
15 calculations?

16                   MR. GREG BARNLUND:    We can undertake to  
17 do that.

18                   MR. BOB PETERS:    All right, that would be  
19 satisfactory. Thank you for that.

20

21 --- UNDERTAKING NO. 11:        Centra to provide the  
22                                    calculations, with work-up,  
23                                    for the damage repairs,  
24                                    Winnipeg East, Interlake, and  
25                                    also metering service

1 increases

2

3 CONTINUED BY MR. BOB PETERS:

4 MR. BOB PETERS: If your calculation, Mr.  
5 Barnlund, can compare it to what was last approved by the  
6 Board and then reconcile it with the new rate, that would  
7 be most appreciated.

8 MR. GREG BARNLUND: We will endeavour to  
9 do that.

10

11 (BRIEF PAUSE)

12

13 MR. BOB PETERS: Mr. Derksen, before I  
14 turn to Mr. Kuczek with some questions, I went back in  
15 the transcript from yesterday where you and the Chairman,  
16 as well as myself and Mr. Warden and yourself, had some  
17 discussions on pensions.

18 Did I understand from your evidence of  
19 yesterday, Mr. Derksen, that an actuary would have  
20 undertaken a solvency calculation relative to the pension  
21 for Centra?

22 MR. WILLY DERKSEN: Yes.

23 MR. BOB PETERS: Just so I -- maybe I  
24 should have started back.

25 With Centra not having any employees, the



1 pension liability on Centra, does it flow from a prior  
2 arrangement or is a -- an allocated share of Manitoba  
3 Hydro's pension liability?

4 MR. WILLY DERKSEN: The -- the pension  
5 that we're talking about specifically was the curtailed  
6 Centra pension plan, so that liability still exists for  
7 employees, subsequent to the acquisition by Manitoba  
8 Hydro. There's a liability relative to the  
9 superannuation board, as well as the curtailed plan.

10 MR. BOB PETERS: All right. Maybe I'm  
11 understanding better today. The curtailed Centra pension  
12 plan reflects the pension for Centra employees as it was  
13 when Westcoast Energy still held the shares?

14 MR. WILLY DERKSEN: Yes. That's correct.

15 MR. BOB PETERS: And that's the plan that  
16 has -- that is showing a \$24 million deficit, as of March  
17 31, 2009?

18 MR. WILLY DERKSEN: Yes.

19 MR. BOB PETERS: All right. If the -- if  
20 your actuary -- did you say the actuary has undertaken a  
21 solvency calculation?

22 MR. WILLY DERKSEN: We -- they do that  
23 every year. I haven't seen the results of this last  
24 fiscal year, so I'd have to check on the last date.

25 MR. BOB PETERS: Well, if one has been

1 done for the fiscal year ending March 31, 2009, could you  
2 undertake to file that with the Board?

3 MR. WILLY DERKSEN: Yes. I'll check on  
4 that.

5

6 --- UNDERTAKING NO. 12: Centra to file solvency  
7 calculation, fiscal year  
8 ending March 31, 2009

9

10 CONTINUED BY MR. BOB PETERS:

11 MR. BOB PETERS: All right. You would  
12 expect that any actuarial calculations would indicate a  
13 larger deficit than the \$24 million that you've  
14 indicated, from an accounting standpoint?

15 MR. WILLY DERKSEN: I would expect that.  
16 Yes.

17

18 (BRIEF PAUSE)

19

20 MR. BOB PETERS: Mr. Derksen, in terms of  
21 the actuarial deficits that need to be addressed, are  
22 there now two (2) that have to be considered, relative to  
23 Centra Gas, or only one (1)?

24 MR. WILLY DERKSEN: There -- there would  
25 be two (2): The ongoing superannuation board deficit, as

1 well as the curtailed plan.

2 MR. BOB PETERS: And in terms of the  
3 curtailed plan, the number you put on the record  
4 yesterday was \$24 million.

5 MR. WILLY DERKSEN: Yes.

6 MR. BOB PETERS: And in terms of whether  
7 it's more than that, from an actuarial perspective,  
8 you're going to get back to the Board on?

9 MR. WILLY DERKSEN: I -- I just want to  
10 clarify, the 24 million is also actuarially developed.  
11 It's the basis of the calculation. For accounting  
12 purposes, there is one (1) set of assumptions that are  
13 used for solvency calculation required by legislation.  
14 They have to use a -- a more -- a stringent set of -- of  
15 assumptions.

16 And -- and as The Chairman mentioned  
17 yesterday, one (1) of the most significant factors would  
18 be a lower assumed interest rate on the liability, which  
19 has the consequence of showing a higher liability and  
20 therefore a higher deficit.

21 MR. BOB PETERS: All right. Walk me  
22 through then the reluc -- the liability that relates to  
23 the -- I think you called it the superannuation board  
24 plan, that would relate to Manitoba Hydro's employees?

25 MR. WILLY DERKSEN: Yes.

1                   MR. BOB PETERS:    And that liability is  
2 currently approximately 200 million, if I heard you -- or  
3 understood correctly?

4                   MR. WILLY DERKSEN:    The deferred expense  
5 relating to that liability is in the order of 200  
6 million. The liability itself is something substantially  
7 higher than that.

8                   MR. BOB PETERS:    And that liability is  
9 reflected on the consolidated financial statements of the  
10 Corporation?

11                   MR. WILLY DERKSEN:    Yes, it is.

12                   MR. BOB PETERS:    And to what extent is  
13 that an obligation of Centra?

14                   MR. WILLY DERKSEN:    The cost consequences  
15 of the pension and the -- and the liability would flow  
16 approximately 10 percent Centra/90 percent Manitoba  
17 Hydro, based upon its -- the current apportionment of --  
18 of operating and -- and capital costs.

19                   MR. BOB PETERS:    And if 10 percent of  
20 that liability flows to Centra, yesterday you were  
21 indicating to the Chairman that approximately 10 percent  
22 of that again would be -- would be shown as a -- as a  
23 liability for Centra on a annual revenue requirement  
24 basis?

25                   MR. WILLY DERKSEN:    Yes. Ten percent of

1 the cost consequences of that liability would be included  
2 in Centra's revenue requirement, that's right.

3 THE CHAIRPERSON: Mr. Derksen, while Mr.  
4 Peters is thinking out through his questions, just one  
5 (1) follow up. The curtailed plan for Centra would  
6 relate to service years going back before the ownership  
7 change, correct?

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

9 THE CHAIRPERSON: So, with the CSFF plan,  
10 the one that would involve the same employees, would it  
11 not, or do they stay with the curtailed plan?

12 MR. WILLY DERKSEN: It involves the same  
13 employees. Centra employees -- or employees of Centra  
14 who are still employees now would have pension benefits  
15 under each of those plans.

16 THE CHAIRPERSON: So when you say  
17 10 percent of the 200 million, not to split hairs, is  
18 Centra's, does that take into account the fact that a  
19 significant amount of their service lives would actually  
20 be in the curtailed plan and would be direct charges  
21 against Centra?

22 So would the 10 percent not be high with  
23 respect to the 200 million?

24 MR. WILLY DERKSEN: Yes, it would be  
25 high. So, in fact, what we do in order to offset that is

1 we pool the costs of both of those plans together,  
2 similar to the common asset approach, and charge the  
3 costs, the annual cost consequences of those -- of those  
4 plans to each of the utilities, based upon activity  
5 charges.

6 THE CHAIRPERSON: Thank you.

7

8 CONTINUED BY MR. BOB PETERS:

9 MR. BOB PETERS: Could you undertake to  
10 file your calculation of how you come up with the actual  
11 percentage, whether it's 10 percent or slightly more or  
12 less, Mr. Derksen?

13 MR. WILLY DERKSEN: The 10 percent that  
14 I'm talking about is the activity charge split between,  
15 its eighty-nine/eleven (89:11), I think in this  
16 application, so that's -- I'm -- I'm rounding that to 10  
17 percent. So I think the materials in this application  
18 have provided that.

19 MR. BOB PETERS: And just following it  
20 down to a revenue requirement impact, what is the revenue  
21 requirement impact as a result of the increased deficit?

22 MR. WILLY DERKSEN: Well, as I tried to  
23 explain yesterday, it depends. But if we move --  
24 ultimately the cost consequences of a \$200 million  
25 approximate deferred tax expense would be a total of

1 about \$20 million annually, of which about 2 million of  
2 it would flow to Centra.

3 MR. BOB PETERS: And in terms of the  
4 other fund, the curtailed Centra Pension Plan Fund, that  
5 one that was sitting with a \$24 million deficit as of  
6 March 31, 2009, that may have recovered since then or it  
7 may be on a recovery mode, based on the markets. Would  
8 that be fair?

9 MR. WILLY DERKSEN: Well, we're hoping  
10 that. I think we -- markets have rebounded a little bit  
11 since March 31st, yes.

12 MR. BOB PETERS: And for revenue  
13 requirement purposes what, if -- what impact, if any,  
14 does that have on the current filing?

15 MR. WILLY DERKSEN: On the current filing  
16 there is no revenue requirement impact that we've  
17 included. For the year 2000 -- and for the second test  
18 year, 2010/'11, there may be cost consequences, depending  
19 upon the amount of recovery that occurs.

20 MR. BOB PETERS: You won't know that  
21 until the next calendar year-end?

22 MR. WILLY DERKSEN: We won't.

23 MR. BOB PETERS: Yeah. Or the next --  
24 next fiscal year-end?

25 MR. WILLY DERKSEN: That's right, yes.

1 MR. BOB PETERS: All right.

2 THE CHAIRPERSON: And again you also  
3 mentioned that on top of that there is IFRS implications  
4 possible. And under IFRS, if I recall your testimony  
5 yesterday, potentially the whole liability could show up?

6 MR. WILLY DERKSEN: Yes, under IFRS the  
7 amount of the deferred expense relating to those  
8 liabilities, there's an election that Hydro could choose  
9 to charge the full amount to retained earnings. I -- I  
10 don't think that that's a likely election at this point  
11 in time.

12 The other consequence of IFRS is to  
13 accelerate the amortization or the cost consequence of  
14 that deferred expense. And the estimate that we've given  
15 in the response to CAC/MSOS/CENTRA-2-153, is that it  
16 would have a \$2 million impact on Centra in -- in the  
17 second test year.

18

19 CONTINUED BY MR. BOB PETERS:

20 MR. BOB PETERS: The answer you just  
21 provided the Chairman was contained in Centra Exhibit 8,  
22 which were the June 3rd, 2009 Responses to Information  
23 Requests, and you drew the Chairman's attention to,  
24 specifically, CAC/MSOS/CENTRA-153?

25 MR. WILLY DERKSEN: Yes.



1                   MR. BOB PETERS: All right, thank you.  
2 In terms of how that \$2 million was calculated or  
3 estimated, Mr. Derksen, are you able to provide a -- a  
4 written undertaking response as to how you came to that  
5 number?

6                   MR. WILLY DERKSEN: Yes.

7                   MR. BOB PETERS: All right, thank you.

8  
9 --- UNDERTAKING NO. 13:       Regarding the cost  
10                                   consequence of the deferred  
11                                   expense in response to  
12                                   CAC/MSOS/CENTRA-2-153, Centra  
13                                   to indicate how they arrived  
14                                   at \$2 million

15  
16 CONTINUED BY MR. BOB PETERS:

17                   MR. BOB PETERS: I'd like to turn to  
18 demand side management questions presumably with Mr.  
19 Kuczek for the balance of my questions.

20                   And, Mr. Kuczek, would the Board be  
21 correct in suggesting that gas demand side management is  
22 relatively new to Centra?

23                   MR. LLOYD KUCZEK: I might have said that  
24 last year, but I wouldn't say that anymore, no.

25                   MR. BOB PETERS: It was started in

1 approximately October of 2004?

2 MR. LLOYD KUCZEK: Correct.

3 MR. BOB PETERS: And that's when gas  
4 demand side management, or DSM, was added to the Power  
5 Smart Program of Manitoba Hydro?

6 MR. LLOYD KUCZEK: Yes. We had done some  
7 -- I -- I guess we were promoting some initiatives prior  
8 to that -- more customer service initiatives -- but  
9 that's when we developed a formal plan and I believe it  
10 was 2005, if I'm not mistaken.

11 MR. BOB PETERS: And the 2008 Power Smart  
12 Plan is updated for your current Gas DSM Program, and  
13 that was included as Attachment 2 to Tab 12 of the  
14 Application.

15 MR. LLOYD KUCZEK: That's correct.

16 MR. BOB PETERS: And can it now be seen  
17 from the gas perspective that there's a new program  
18 planned which would be fifteen (15) year -- over a  
19 fifteen (15) year period rather than the previous ten  
20 (10)?

21 MR. LLOYD KUCZEK: Correct.

22 MR. BOB PETERS: And it also has a -- a  
23 component for the lower income households.

24 MR. LLOYD KUCZEK: Correct.

25 MR. BOB PETERS: Mr. Kuczek, in terms of

1 the goals of the natural gas Demand Side Management  
2 Program, it's primarily to save residential consumers gas  
3 -- save money on gas?

4 MR. LLOYD KUCZEK: It's primarily to  
5 achieve energy efficiencies with all our customers, not  
6 just residential.

7 MR. BOB PETERS: All right, fair enough.  
8 And in addition to that, there would be a corresponding  
9 reduction in global greenhouse gases?

10 MR. LLOYD KUCZEK: Correct.

11 MR. BOB PETERS: The budget for Power  
12 Smart Gas DSM is now \$138 million going forward?

13 MR. LLOYD KUCZEK: Correct. That's  
14 excluding the furnace dollars that contribute towards  
15 energy savings as well.

16 MR. BOB PETERS: And it also excludes the  
17 affordable energy monies that would be available for  
18 natural gas.

19 MR. LLOYD KUCZEK: Correct.

20 MR. BOB PETERS: Just on the first point  
21 you mentioned, the furnace replacement funds; those would  
22 be approximately \$5 million that are available to add to  
23 the DSM budget for Gas?

24 MR. LLOYD KUCZEK: I think the total  
25 funds available is six point one (6.1) plus interest

1 that's accruing on the -- the amount.

2 MR. BOB PETERS: And only five hundred  
3 thousand (500,000) of that has been expended?

4 MR. LLOYD KUCZEK: I believe a little  
5 less than that's been expended.

6 MR. BOB PETERS: All right, we'll come  
7 and review that.

8 In terms of the Affordable Energy Fund, do  
9 you know the dollar amount of the \$26 million that was  
10 set aside for energy efficiency matters that will be for  
11 Gas rather than Electric?

12

13 (BRIEF PAUSE)

14

15 MR. LLOYD KUCZEK: We don't necessarily  
16 allocate the dollars to Gas or Electric. What we do is  
17 allocate them to specific initiatives.

18 In response to PUB-207, we made our best  
19 efforts estimate of how it could be allocated, but we  
20 don't specifically do it that way.

21 MR. BOB PETERS: All right. In terms of  
22 the historic and test year costs, if we turn to book of  
23 documents at Tab 37, there should be a copy of PUB-CENTRA  
24 Information Request 113, Attachment 1, page 1 of 1. Have  
25 you located that?

1 MR. LLOYD KUCZEK: I have.

2 MR. BOB PETERS: And what -- this is the  
3 point in time, Mr. Chairman, where I should've reminded  
4 parties to change to the green coloured cover book as  
5 opposed to the blue one, but the tab numbers are  
6 sequential, so I trust parties have found it.

7 And you've broken down the DSM spending to  
8 date, as well as the forecast essentially by customer  
9 class, correct?

10 MR. LLOYD KUCZEK: Correct.

11 MR. BOB PETERS: And line 16 will set out  
12 the total expenditures to date plus the forecast test  
13 year amounts?

14 MR. LLOYD KUCZEK: Correct.

15 MR. BOB PETERS: The portion of the chart  
16 that talks about allocation to base rates, that is now  
17 based on a five (5) year amortization period?

18 MR. GREG BARNLUND: That's correct.

19 MR. BOB PETERS: Okay.

20

21 (BRIEF PAUSE)

22

23 MR. BOB PETERS: Total spending for  
24 which you're asking this Board to approve and include in  
25 rates is 14.1 million for the first test year of

1 2009/'10?

2 MR. LLOYD KUCZEK: Correct.

3 MR. BOB PETERS: And as well, for  
4 2010/'11, it's \$13.3 million?

5 MR. LLOYD KUCZEK: Correct.

6 MR. BOB PETERS: You've built up the  
7 costs for the test years on this -- Centra has built up  
8 the costs for the test years, is it conceivable that  
9 there will be movement of programs or monies between  
10 different rates classes?

11 MR. LLOYD KUCZEK: I -- I don't know if I  
12 would call it movement of money. It -- there -- there  
13 certainly will be deviations from what we spend to what  
14 we forecast we're going to spend.

15 MR. BOB PETERS: Maybe put another way,  
16 if you're not going to spend \$8.5 million on residential  
17 DSM in the first test year, would you use some of that  
18 that you're not spending for other rate classes?

19 MR. LLOYD KUCZEK: That's not the plan.  
20 No.

21 MR. BOB PETERS: All right. In terms of  
22 the plan and the programs, if we turn to book of  
23 documents, Tab 38.

24 MR. GREG BARNLUND: Mr. Peters, just to  
25 clarify, what we would be including in rates would be

1 found on line 26 and not on line 16, so we're proposing  
2 to incorporate the amortized amounts, which for the  
3 '9/'10 test year would be about 6. -- almost \$7 million,  
4 for the '10/'11 test year about \$9.8 million to be  
5 incorporated into rates.

6 MR. BOB PETERS: The point you're making  
7 on that, Mr. Barnlund, is to alert the Board that while  
8 the expenditures may be 13 or \$14 million, it'll only be  
9 7 and \$10 million going into rates?

10 MR. GREG BARNLUND: That's correct.

11 MR. BOB PETERS: All right. And the 7  
12 and \$10 million respectively going into rates is a  
13 reflection of the amortization plans which include some  
14 of the fifteen (15) year amortization plus some of the  
15 more current five (5) year amortization?

16 MR. GREG BARNLUND: It -- it's -- it's  
17 based on the amounts flowing from the amortization, so  
18 there will be a bit of a -- a mix there, I -- I would  
19 think.

20 MR. WILLY DERKSEN: Mr. Peters, it would  
21 all be at five (5) years. All of the previous  
22 expenditures are now being amortized at five (5) years,  
23 as well.

24

25

(BRIEF PAUSE)

1

2 MR. BOB PETERS: Thank you for that, Mr.  
3 Derksen and Mr. Barnlund. In terms of DSM programs, if  
4 we could turn to Tab 38 of the book of documents, there's  
5 a listing of programs in PUB-CENTRA-135, 'B' Attachment,  
6 which is the only document at this tab.

7 When we look to the residential portion of  
8 the -- of the program, the payback periods are also  
9 included. Has that been calculated by Centra, based on  
10 actual measurement or is that forecast?

11

12 (BRIEF PAUSE)

13

14 MS. MARLA MURPHY: Mr. Chairman, perhaps  
15 we could start our lunch break a little early. Mr.  
16 Kuczek's not feeling very well and I think a -- a break  
17 might be warranted.

18 MR. BOB PETERS: Certainly, from my  
19 perspective.

20 THE CHAIRPERSON: That's fine. Would it  
21 be all right if we came back at 1:00? Is that all right?

22 MS. MARLA MURPHY: Yes, we'll do our  
23 best. Thank you.

24 THE CHAIRPERSON: Well, if not, just let  
25 us know, okay?



1 MS. MARLA MURPHY: Certainly.

2 THE CHAIRPERSON: Thank you.

3 MS. MARLA MURPHY: Thanks.

4 THE CHAIRPERSON: Yes.

5

6 (CENTRA'S REVENUE REQUIREMENT,

7 DSM, COST ALLOCATION,

8 AND RATE DESIGN PANEL RETIRES)

9

10 --- Upon adjourning at 11:42 a.m.

11

12

13 Certified correct,

14

15

16

17

18 \_\_\_\_\_  
Cheryl Lavigne, Ms.

19

20

21

22

23

24

25