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MANITOBA PUBLIC UTILITIES BOARD

RE:

CENTRA GAS  
2010/11 COST OF GAS 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  
April 15th, 2010

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APPEARANCES

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

2

3 THE CHAIRPERSON: While we're waiting for  
4 the remainder members of the panel to reach, we'll just  
5 congratulate Mr. Kuczek on his promotion and welcome him  
6 to the panel, and Ms. Derksen, as well. And I see Mr.  
7 Stephens has moved to the back row which probably pleases  
8 him no end.

9 And, Ms. Murphy, do you have anything to  
10 follow up on yesterday or are we are ready to go to this  
11 panel?

12 MS. MARLA MURPHY: I think we're ready to  
13 proceed. We do have an exhibit that we'll circulate this  
14 morning in conjunction with Mr. Peters' questions with  
15 regard to DSM amortization. I can do that now or I can  
16 do it when it comes up, whichever you prefer.

17 THE CHAIRPERSON: Do it now.

18

19 (BRIEF PAUSE)

20

21 THE CHAIRPERSON: Okay, we have it.

22 MS. MARLA MURPHY: Thank you. So you'll  
23 see it's a list of DSM amortizations in accordance with  
24 the various periods as per the financial statements,  
25 assuming ten (10) year and fifteen (15) year amortization

1 and demonstrating the difference.

2 By my count, that would be Centra exhibit  
3 number fifteen (15).

4 THE CHAIRPERSON: Yes, we agree. Thank  
5 you.

6

7 --- EXHIBIT CENTRA 15: List of DSM Amortizations

8

9 THE CHAIRPERSON: I imagine we only have  
10 two (2) new witnesses to swear in; am I correct, Mr.  
11 Peters?

12 MR. BOB PETERS: Yes, sir.

13 THE CHAIRPERSON: Mr. Singh...?

14

15 CENTRA GAS COST OF SERVICE/CUSTOMER SERVICE PANEL:

16

17 VINCE WARDER, Resumed

18 GREG BARNLUND, Resumed

19 LLOYD KUCZEK, Sworn

20 KELLY DERKSEN, Sworn

21

22 THE CHAIRPERSON: Thank you. Ms.  
23 Murphy...?

24 MS. MARLA MURPHY: Thank you. Just by  
25 way of introduction, the new faces on the panel, although

1 familiar to the Board, for the record are Mr. Lloyd  
2 Kuczek, who is the Vice-President of Customer Care and  
3 Marketing. And then next to Mr. Barnlund we have Ms.  
4 Kelly Derksen, who is the Manager of Cost of Service.

5           You may also note that our back row has  
6 changed a little bit and although we've relegated Mr.  
7 Stephens to the back corner behind me, next to him we  
8 have Tracy Sterdan who, is the Market -- Marketing  
9 Specialist for the Fixed Rate Program. Then Ms. Shannon  
10 Johnson, who is the Manager of the Affordable Energy  
11 Unit; Terri Bercier, who is the Regulatory Co-ordinator  
12 for the Application; and at the far end, Mr. Brad  
13 Derrick, who is the Supervisor of Gas Cost Allocation.

14           THE CHAIRPERSON: Thank you.

15           MS. MARLA MURPHY: The only direct that  
16 we intend to do this morning is from the new witnesses on  
17 the panel, Mr. Kuczek and Ms. Derksen. I'm prepared to  
18 proceed if you wish.

19           THE CHAIRPERSON: Please.

20

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

22           MS. MARLA MURPHY: Mr. Kuczek, could you  
23 please outline your areas of responsibility with respect  
24 to the panel?

25



1 (BRIEF PAUSE)

2

3 MR. LLOYD KUCZEK: A little confused  
4 here. Good morning, Mr. Chairman and members of the  
5 Public Utility Board, ladies and gentlemen. In my  
6 testimony I will be -- will be providing evidence with  
7 respect to the preparation of Centra's load forecast, the  
8 furnace replacement program, and the marketing and update  
9 -- update on Centra's fixed rate primary gas service.

10 MS. MARLA MURPHY: Mr. Kuczek, can you  
11 please update the Board with respect to the Lower Income  
12 Energy Efficiency Program?

13 MR. LLOYD KUCZEK: As you are aware, the  
14 Lower Income Energy Efficiency Program was launched in  
15 December 2007. Since then, Centra has engaged two (2)  
16 contractors for the instillation of insulation. In  
17 addition, the Corporation uses an external company to  
18 provide energy efficiency evaluation services for this  
19 program.

20 To date, almost a thousand (1,000) homes  
21 have been retrofitted through the program, with an  
22 additional six hundred (600) in various stages of the  
23 process. The program was initially launched as a pilot  
24 in part -- partnership with two (2) community-based  
25 organizations.

1 Partners -- participation is now ramping  
2 up with approximately seven hundred (700) home retrofits  
3 completed during 2009/'10, and the Corporation  
4 anticipates approximately nineteen hundred (1,900) more  
5 homes will be retrofitted during 2010/'11.

6 The Corporation has also developed a more  
7 aggressive marketing plan, which is currently being  
8 deployed.

9 MS. MARLA MURPHY: Mr. Kuczek, can you  
10 please update the Board with respect to the Low -- Lower  
11 Income Furnace Replacement Program?

12 MR. LLOYD KUCZEK: The current design of  
13 the Lower Income Furnace Replacement Program was launched  
14 in August 2008. Since then Centra has engaged seven (7)  
15 contractors to provide installation service. Under the  
16 program, approximately eight hundred (800) energy  
17 efficient furnaces and thirteen (13) energy efficient  
18 boilers have been installed. An additional sixty (60)  
19 homes are scheduled to have their furnaces replaced with  
20 energy efficient units.

21 And similar to the Lower Income Energy  
22 Efficiency Program, participation is ramping up, with the  
23 Corporation expecting that approximately eleven (11) --  
24 eleven hundred (1,100) additional homes will -- will be  
25 retrofitted with energy efficient furnaces during

1 2010/'11.

2 Combined with the Lower Income Energy  
3 Efficiency Program, the total of thirty-nine hundred  
4 (3,900) homes are expected to be retrofitted through the  
5 two (2) programs by the end of 2010/'11.

6 MS. MARLA MURPHY: Mr. Kuczek, can you  
7 provide the Board with updated information on the  
8 estimated number of lower income households which have  
9 standard natural gas furnaces, and how many require  
10 substantive insulation upgrades?

11 MR. LLOYD KUCZEK: The Corporation's  
12 current estimates for lower income households requiring  
13 high efficient furnaces and substantive insulation  
14 upgrades is based on the recent 2009 residential survey.

15 The Corporation currently estimates that  
16 there are approximately fifteen thousand (15,000) LICO  
17 homes and twenty-two thousand (22,000) LICO-125 homes  
18 with standard 60 -- 60 percent efficient furnaces.

19 With respect to insulation, it is  
20 estimated that fifteen thousand (15,000) LICO homes and  
21 nineteen thousand (19,000) LICO, and it's dash 125, I  
22 call it, but it's LICO-125 homes require substantive  
23 insulation.

24 And for clarity, when I say LICO-125, that  
25 means 125 percent of LICO.

1 MS. MARLA MURPHY: Mr. Kuczek, the  
2 Government of Canada recently announced cancellation of  
3 its ecoENERGY Program. Can you please advise the Board  
4 as to the expected impact of this announcement on  
5 Centra's Lower Income and Furnace Replacement Programs?

6 MR. LLOYD KUCZEK: With the cancellation  
7 of the ecoENERGY Program, the Lower Income Program and  
8 the Furnace Replacement Program will lose significant  
9 funding source, amounting to twelve hundred (1,200) and  
10 eight hundred dollars (\$800) per upgrade respectively.

11 The Corporation is currently in the  
12 process of assessing options for addressing this loss and  
13 funding. The Corporation is, however, confident that its  
14 successful programs can still be offered in Manitoba, and  
15 a decision regarding the future path to be taken is  
16 expected to be -- to be made shortly.

17 The -- the impact of this loss of funding  
18 with respect to the participating community based groups  
19 is expected to be minimum since the Provincial Government  
20 provides funding for the support for the labour component  
21 of the program cost, and the Corporation provides the  
22 funding to support the cost of material.

23 It is also expected that minimum impact  
24 will be noted with respect to the First Nation Energy  
25 Efficiency Program, since to date most First Nation

1 communities have provided -- provided the required  
2 labour, and the Corporation provides funding to support  
3 the cost of material.

4 MS. MARLA MURPHY: Mr. Kuczek, could you  
5 please update the Board on the status of Centra's fixed  
6 rate primary gas service?

7 MR. LLOYD KUCZEK: Centra has provided  
8 four (4) fixed rate offerings with contracts for one (1),  
9 three (3), and five (5) year terms to commence on May  
10 1st, 2009, December 1st, 2009, February 1st, 2010, and  
11 May 1st, 2010. The details of these offerings are  
12 contained in the response to PUB/CENTRA-45(b).

13 On August 13th, 2010, Centra provided an  
14 update to that response, indicating that only ten (10)  
15 customers signed up for the last fixed priced offering,  
16 bringing the total participation level to three hundred  
17 and seventy-one (371) customers to date.

18 The extremely low customer interest in the  
19 latest price -- fixed price offering is attributed to the  
20 high premiums for fixed price products relative to  
21 Centra's current quarterly rate offering and the  
22 continued decline in the quarterly rates being offered.

23 Under the present conditions, Centra will  
24 not proceed with the -- its planned offering for an  
25 August 1st flow date. And on a go-forward base, Centra

1 will monitor market conditions and will consider options  
2 regarding the nature and timing of its next service  
3 offering.

4 MS. MARLA MURPHY: Thank you, Mr. Kuczek.

5 And Mr. Chair, for the record, I might  
6 just note that the update of the attachment that Mr.  
7 Kuczek referred to was filed as Centra Exhibit 10. It's  
8 the second attachment there, PUB/CENTRA-45(b).

9 Ms. Derksen, could you please outline your  
10 areas of responsibility with respect to this Application?

11 MS. KELLY DERKSEN: Yes, good morning,  
12 Mr. Chairman, members of the Public Utilities Board,  
13 ladies and gentlemen. In my testimony I will be  
14 providing evidence related to cost allocation and rate  
15 design matters, rate rider calculations, proposed base  
16 and build right schedules, and customer bill impacts for  
17 all rates proposed to be effective on May 1st, 2010.

18 MS. MARLA MURPHY: Ms. Derksen, can you  
19 please outline how you gave effect to Order 128/09 in  
20 terms of cost allocation and rate design?

21 MS. KELLY DERKSEN: In Order 128/09 the  
22 PUB directed that the approved revenue requirement be  
23 recouped through a change in the rates for all customer  
24 classes with the exception of the SGS and LGS classes.

25 The PUB further directed that the basic

1 monthly charge be increased from thirteen dollars (\$13)  
2 to fourteen dollars (\$14) for the SGS class and from  
3 seventy (70) to seventy-seven dollars (\$77) for the LGS  
4 class.

5                   In order to reflect these directives,  
6 Centra first allocated the approved revenue requirement  
7 of \$147.7 million to all customer classes, including the  
8 SGS and LGS classes.

9                   Centra then increased the basic monthly  
10 charges for these classes as directed but it capped the  
11 non-gas cost component of each rate to those currently in  
12 effect for the SGS and LGS classes.

13                   This allowed the approved non-gas revenue  
14 requirement to flow and determine rates for the large --  
15 larger volume customer classes, and it also ensured that  
16 the non-gas cost component of rates for the SGS and LGS  
17 classes, other than the basic monthly charge, would  
18 remain un -- unchanged.

19                   The effect of this treatment means that  
20 rates for small volume customers are no longer at unity  
21 and that the non-gas revenue requirement approved through  
22 Order 128/09 of 147.7 million will not be reflected in  
23 rates.

24                   Instead, rates, as designed, will collect  
25 147.0 million of non-gas cost revenue requirement,

1 assuming normal weather. The difference between the  
2 approved non-gas revenue requirement and the non-gas  
3 revenue requirement in rates will float a net income.  
4 This is depicted on the table on page 4 of 6 of Centra's  
5 February 19th, 2010 filing.

6 MS. MARLA MURPHY: Ms. Derksen, is the  
7 cost allocathen -- cost allocation methodology used in  
8 connection with this Rate Application consistent with  
9 that used in previous applications?

10 MS. KELLY DERKSEN: In terms of the Cost  
11 of Gas Application that is currently before the PUB,  
12 Centra's approach to the cost allocation has not changed  
13 over past filings. Centra has allocated a total non-  
14 primary -- of non-primary gas costs of \$69.1 million.

15 Primary gas costs reflected in the current  
16 application of approximately 231.5 million have been  
17 removed from the cost allocation study, as primary gas  
18 costs are dealt with as part of Centra's quarterly rate  
19 applications.

20 The 69.1 million of non-primary gas costs  
21 have been functionalised, classified, and allocated to  
22 each of the customer classes consistent with past  
23 applications. And as shown on Schedule 7.1.0 of our  
24 filing, the end result is that base rates have increased  
25 by \$12.1 million relative to existing base rates, which



1 reflect non-primary gas costs of \$57 million.

2 MS. MARLA MURPHY: Would you please  
3 outline the rate riders that Centra's proposing in this  
4 Application?

5 MS. KELLY DERKSEN: Centra's proposing to  
6 implement a number of rate riders in conjunction with  
7 this Application. The proposed rate riders will dispose  
8 of all balances in all non-primary gas PGVAs and gas cost  
9 referrals accounts as of October 31st, 2009, including  
10 carrying costs and rate rider amortizations to April the  
11 30th of 2010.

12 If approved, Centra will implement rate  
13 riders on May 1st, 2010 to collect approximately \$2.8  
14 million, as outlined in Schedules 8.4.0 and 8.4.1.  
15 Currently, non-primary gas cost rate riders are  
16 collecting \$9.4 million, resulting in a net reduction of  
17 6.6 million, and serves to reduce bill impacts to  
18 customers on May 1st of 2010.

19 The proposed rate riders have been  
20 calculated over a twelve (12) month period and will  
21 expire April 30th of 2011.

22 MS. MARLA MURPHY: And would you also  
23 please outline the bill impacts that Centra's proposing?

24 MS. KELLY DERKSEN: Centra filed Schedule  
25 1.2.0, I believe, on Tuesday, as Exhibit 10 from its

1 Primary Gas Application on Tuesday. This schedule  
2 identifies the bill impacts flowing from primary -- the  
3 Primary Gas Application, as well as the combined impact -  
4 - impacts of all rate changes to bills on May 1st, 2010.

5 The typical residential customer will  
6 experience an overall decrease of 6.1 percent, effective  
7 May 1st, as a result of the rate changes flowing from all  
8 filings currently before the Board. Other class --  
9 customer classes will experience decreases of between 3.5  
10 percent and 17.5 percent, dependent on the customer class  
11 and their consumption.

12 MS. MARLA MURPHY: Thank you, Ms.  
13 Derksen.

14 That concludes our direct, and the panel's  
15 available for cross-examination.

16 THE CHAIRPERSON: Thank you. Then we'll  
17 move to Mr. Peters.

18

19 CROSS-EXAMINATION BY MR. BOB PETERS:

20 MR. BOB PETERS: Yes, thank you. Good  
21 morning, Mr. Chairman, Board members. Good morning to  
22 the panel.

23 Mr. Warden, the same rules of engagement,  
24 if we could. I'll direct my questions to the panel  
25 members and fight amongst yourselves as to who wants to

1 provide the Board with the best corporate answer. And,  
2 as Senior Vice-President, you'll get, of course, the veto  
3 on that.

4 MR. VINCE WARDEN: Oh, thank you.

5 MR. BOB PETERS: I just wanted to make  
6 sure Mr. Kuczek understood.

7 MR. VINCE WARDEN: I don't -- I don't  
8 usually have that privilege.

9 MR. BOB PETERS: Well, continuing  
10 somewhat in our lighthearted way, Mr. Warden, one of the  
11 things we often say in this hearing room is that whenever  
12 Centra does a forecast or perhaps whenever -- whenever  
13 anybody else does a forecast, the only thing we can be  
14 sure about is it's going to be incorrect. We've said  
15 that regularly?

16 MR. VINCE WARDEN: We have, and I  
17 certainly agree with that, yes.

18 MR. BOB PETERS: Would you also agree,  
19 sir, that if the forecasts are prepared without any bias,  
20 half the time the forecasts will be high and half the  
21 fore -- half the time the forecasts may be low?

22 MR. VINCE WARDEN: Well, there are so  
23 many variables that enter into a forecast but, given that  
24 qualification without any bias, half the time high, half  
25 the time low, I think that's a fair statement, yes.

1                   MR. BOB PETERS:    And certainly -- and I  
2    don't want this to be taken as any -- anything as a  
3    personal bias or a corporate bias but if -- if you -- if  
4    you had a dispassionate view of the forecast, there's  
5    going to be times when it should be higher than what you  
6    forecast and sometimes lower than what you forecast?

7                   MR. VINCE WARDEN:    Yes.

8                   MR. BOB PETERS:    When we turn to Tab 13  
9    of the book of documents that I provided to you -- and I  
10   hope you haven't left those at home -- at Tab 13 of the  
11   book of documents, which book of documents has been  
12   marked as PUB Exhibit 6, there's a copy of PUB/CENTRA IR  
13   Response 26.

14                   And, Mr. Chairman and Board members, on  
15   April, I'm guessing the 14th, Ms. Murphy handed out a  
16   revision to this document as CENTRA Exhibit Number 13.  
17   And so if you have CENTRA Exhibit 13, you may or may not  
18   want to insert it into the -- the binder at,  
19   coincidentally, Tab 13.

20                   Mr. Warden, you've located the most  
21   revised -- the most recent revised copy of April 14th?

22                   MR. VINCE WARDEN:    Yes, we have.

23                   MR. BOB PETERS:    When you look at that,  
24   just a quick, two (2) second look -- and you've had maybe  
25   more time than that -- does it suggest to you that --

1 that the forecasts appear, more often than not, to be  
2 underestimating the volumes that will be consumed by  
3 Centra's customers?

4 MR. VINCE WARDEN: Yes, that's apparent.

5 MR. BOB PETERS: And is it correct, Mr.  
6 Kuczek, that Centra has changed its forecasting  
7 techniques over the years?

8 MR. LLOYD KUCZEK: That's correct.

9 MR. BOB PETERS: And that those changes  
10 in forecasting techniques, that's an effort to try to  
11 remove any -- any bias or any -- any errors that may  
12 occur that would tend to either underestimate or  
13 overestimate volumes used by the customers?

14 MR. LLOYD KUCZEK: It's an effort to  
15 provide a more accurate forecast using the best tools or  
16 models available.

17 MR. BOB PETERS: What is your target in  
18 terms of the forecast, Mr. Kuczek? I mean, is your  
19 target a hundred percent precision?

20 MR. LLOYD KUCZEK: No, it isn't. We --  
21 we actually don't have a target on the natural gas  
22 forecast in terms of accuracy.

23 MR. BOB PETERS: Well, would it be fair  
24 to say that any errors in the estimating of the volumes  
25 needed would result in purchase gas varia -- variance

1 accounts or deferral account accumulations except for  
2 non-gas cost items?

3 MR. LLOYD KUCZEK: Correct.

4 MR. BOB PETERS: Does that suggest to the  
5 Corporation, Mr. Kuczek, Mr. Warden, that you don't have  
6 to be too precise on these forecasts of volumes, so let's  
7 not get over -- overly exercised about whether we're  
8 right or wrong or whether we're doing it as well as we  
9 could?

10 MR. VINCE WARDEN: We -- we definitely  
11 don't take that approach, Mr. Peters. We use the best  
12 information we have available to us at the time and we do  
13 put together a forecast that we consider to be precise at  
14 that time. So it is our best estimate of the future,  
15 recognizing that there are so many variables that can  
16 affect that future.

17 MR. BOB PETERS: All right. And we --  
18 we've got to the point where if -- if it -- if the error  
19 is made in the forecast, the result related to any kind  
20 of gas costs, whether it be primary gas costs or any of  
21 the non-primary gas costs, that's going to flow into a  
22 deferral account and Ms. Derksen is going to have to deal  
23 with that by way of a rate rider?

24 MR. VINCE WARDEN: That's right.

25 MR. BOB PETERS: Now let's tur -- let's

1 turn to the non-gas cost items that we typically talk  
2 about at a GRA that -- that find their way into the  
3 distribution rate.

4 If there is a mistake on the forecast or  
5 an error on the forecast that mis -- that mistake or  
6 error carries with it financial consequences to the  
7 Corporation, does it not?

8 MR. VINCE WARDEN: Yes, to the extent  
9 that it affects the -- the bottom line, it will  
10 absolutely, yes.

11 MR. BOB PETERS: And do you agree with  
12 me, Mr. Warden, that if Centra underestimates its volumes  
13 that it needs, underestimating the volumes will increase  
14 the net income to Centra Gas Manitoba Inc.?

15

16 (BRIEF PAUSE)

17

18 MR. VINCE WARDEN: In -- inasmuch as the  
19 net effect is -- to -- to the extent that our bottom line  
20 net income is dependent to some extent on throughput,  
21 yes, I would agree with that statement.

22 MR. BOB PETERS: And you'd agree because  
23 if you underestimate the volumes, then Ms. Derksen is  
24 going to design a rate that has a unit value that's too  
25 high for what actually will result, and you'll collect

1 more revenue for the non-gas cost items than you would if  
2 -- if the forecast was a hundred percent accurate?

3 MR. VINCE WARDEN: In -- in a given year  
4 I think that would be true, however, there is a -- a  
5 self-correcting mechanism that's in place by virtue of  
6 how we -- we look at the level of retained earnings in  
7 any given year, use that as the base for projecting what  
8 our net income requirements might be. So there is a -- a  
9 self-correcting mechanism in -- in the process.

10 MR. BOB PETERS: Well, just a second on  
11 that, Mr. Warden. The self-correction mechanism, what  
12 you're telling the Board is that if in one (1) year you  
13 come in with \$3 million of net income, that's your target  
14 so you proceed. But if you came in with 4 million, would  
15 you come in asking for 2 million the subsequent year?

16 MR. VINCE WARDEN: You could look at that  
17 way. I don't -- I don't think it's quite that one-for-  
18 one as you've described, but over the longer term, in  
19 effect, that's what happens.

20 MR. BOB PETERS: Well, let's just look at  
21 the -- let's look at an example and we'll use some fairly  
22 high level numbers and perhaps you can agree that in  
23 terms of the SGS Residential Class, the non-gas cost  
24 revenues are in the -- in the neighbourhood of \$90  
25 million. Will you accept that?



1 (BRIEF PAUSE)

2

3 MR. BOB PETERS: Well, Mr. --

4 MR. VINCE WARDEN: We'll -- we'll conf --  
5 confirm that number --

6 MR. BOB PETERS: Well --

7 MR. VINCE WARDEN: -- but let's -- let's  
8 accept that for discussion.

9 MR. BOB PETERS: Well, let's -- and Ms.  
10 Derksen may want to check Schedule 913 from the '07/'08  
11 GRA as an example or -- but -- but if it's in the  
12 ballpark of 90 million and -- and let's also understand,  
13 that would include the revenue from the basic monthly  
14 charge.

15 If there was a 1 percent underestimate of  
16 volumes, that would result in Centra earning an  
17 additional nine hundred thousand (900,000) to a million  
18 dollars of net income. Do you accept that math, subject  
19 to check, Mr. Warden?

20

21 (BRIEF PAUSE)

22

23 MS. KELLY DERKSEN: I agree with your --  
24 with your statement, Mr. Peters.

25 MR. BOB PETERS: Yeah, and -- and, Ms.

1 Derksen, I'm -- I'm trying to shoot at a fairly high  
2 level here and recognizing that of that \$90 million  
3 there's basic monthly charge revenue in there, but -- but  
4 in -- in terms of that, if there's nine hun -- if there's  
5 \$90 million of residential non-gas cost revenues, and  
6 that would be for things like administration, operating  
7 costs, if you're 1 percent out, if you underestimate your  
8 volume forecast by 1 percent, you will over-collect close  
9 to a million dollars.

10 MR. VINCE WARDEN: Okay. We'll accept  
11 that.

12 MR. BOB PETERS: And --

13 MS. KELLY DERKSEN: Mr. Peters, I -- I  
14 would suggest, all else being equal, you may recover  
15 that, but there is a number of influences to that. So  
16 what occurs at the end of the year may or may not flow  
17 the way that you suggest.

18 MR. BOB PETERS: All right. Then you can  
19 explain to the Board what you meant by that answer, Ms.  
20 Derksen, in that you -- your rates are set on a weather  
21 normal basis, and let's assume your rates are going to  
22 recover on a weather normal basis. You set them to  
23 recover \$3 million of net income.

24 But as it turns out, your volume estimates  
25 have underestimated the volume for the SGS class by 1

1 percent, and at the end of the year, and a weather normal  
2 year, coincidentally, you will have recovered not only  
3 the \$3 million built into rates, but an extra close to a  
4 million dollars as a result of the underestimate in the  
5 volumes.

6                   Isn't that correct?

7                   MS. KELLY DERKSEN: Fair enough, yes.

8                   MR. BOB PETERS: Okay. Now in terms of  
9 the self-correcting mechanism, Mr. Warden, I'm -- I'm not  
10 quite sure what -- what you meant when you told the Board  
11 there's a self-correcting mechanism for that. You don't  
12 -- Centra -- when I say, "you", of course you understand  
13 I'm meaning Centra -- but Centra doesn't come in and ask  
14 for lower net income on a weather normal basis the  
15 following year, do they?

16                   MR. VINCE WARDEN: No, I -- I'm just  
17 indicating to you, Mr. Peters, how the rate application -  
18 - the determination of the quantum of that rate  
19 application is made. So we'll look -- we -- before we  
20 apply for a rate increase we'll look at the -- or  
21 decrease, as the case may be -- we'll look at the level  
22 of retained earnings.

23                   And to the extent that those retained  
24 earnings are considered to be deficient, we'll base the  
25 rate increase on -- or rate increase application on that

1 basis. So if there is a -- a weather impact or an impact  
2 that occurs as you've just described, that will be  
3 reflected in the net income, plus or minus for the year,  
4 and will refl -- reflect retained earnings, which will be  
5 the basis of rate applications going forward.

6 MR. BOB PETERS: I don't have a great or  
7 a perfect memory, Mr. Warden, but have you, in the last  
8 two (2) or three (3) general rate applications for Centra  
9 Gas, come into the Board and say, We're not looking for  
10 our full weather normal net income of \$3 million that we  
11 typically get, because in -- looking at your schedule  
12 here -- because in '06, we underestimated our volumes by  
13 3.7 percent, or in '07, we underestimated by 3.9 percent?

14 MR. VINCE WARDEN: Well, I think this  
15 year is a perfect example of that. If you look -- as I  
16 indicated in my direct, we'll probably incur a net loss  
17 in the '09 -- or the '09/'10 fiscal year.

18 In '07/'08 and '08/'09, we -- we earned  
19 substantially higher than the \$3 million, so -- as a  
20 matter of fact, in '08/'09 we earned \$9 million despite  
21 the fact that we were targeting 3 million for that year.

22 So there -- the -- the -- what -- Centra's  
23 net income is very sensitive to -- to weather, and we  
24 realize there will be some years in which we make more  
25 than 3 million, some years in which we make less. So the

1 impact of those high income years, over the last two (2)  
2 years, will be reflected in -- in retained earnings and  
3 will -- we're quite prepared to accept a net loss in this  
4 year.

5 We won't be attempting to recover the net  
6 loss that we -- we incur in '09/'10 as a discreet \$3  
7 million that we should have turned, take forward to next  
8 year and ask for \$6 million. We don't take that  
9 approach.

10 We look at the impact of retained  
11 earnings, are retained earnings adequate to meet the  
12 risks that Centra face at any given time or -- or  
13 projected to might occur in the future, and make a rate  
14 determination application based on those -- those  
15 factors.

16 MR. BOB PETERS: Thank you for that  
17 answer, Mr. Warden, but the numbers you've put on the  
18 record in your last answer about your net income for the  
19 '07/'08 year and the '08/'09 year, those were based on an  
20 actual weather basis, those weren't weather normalized  
21 numbers?

22 MR. VINCE WARDEN: Well, they were. They  
23 were based on a projection as directed by this Board that  
24 our net income should not exceed \$3 million per year. So  
25 those are based on actual weather.

1                   My point was that we know it's going to --  
2 as we've discussed many times, the forecast isn't going  
3 to turn out exactly as we -- or can be far off what we  
4 had projected. So, yes, in answer to your question,  
5 those are ba -- those are the actuals based on the  
6 weather that we experienced for those -- for those two  
7 (2) fiscal years.

8                   MR. BOB PETERS: Thank you. And for the  
9 '09/'10 year that just ended two weeks ago, you've been  
10 keeping your cards fairly close to your vest, if I can  
11 say it that way, in the sense that you -- you're not  
12 prepared to tell the Board with any specificity as to  
13 what the weather normal net income would be or what the  
14 actual net income would be, other than to suggest that on  
15 an actual basis you're looking at red ink?

16                   MR. VINCE WARDEN: Yes.

17                   MR. BOB PETERS: Okay. Mr. Warden,  
18 should there be a non-gas cost deferral account?

19                   MR. VINCE WARDEN: There is. It's  
20 retained earnings.

21                   MR. BOB PETERS: Is that -- and I chuckle  
22 only because perhaps I didn't think of it in that  
23 fashion, but is that how the Corporation sees the -- the  
24 retained earnings and the annual net income, as really  
25 the -- the deferral account for non-gas costs?

1                   MR. VINCE WARDEN:    Yes.  Well, I don't  
2 think we've ever specifically referred to it in that  
3 manner, but the -- the net effect of it is just that,  
4 really.  So there would be no real purpose in setting up  
5 a deferral account which would accomplish, in effect, the  
6 same thing.

7                   MR. BOB PETERS:    How should the Board  
8 measure Centra's performance at the next GRA when Centra  
9 files it and comes before the Board?  Should they measure  
10 -- should they measure it on a weather normal basis, your  
11 net income for the years that are historically reviewed,  
12 as well as setting rates for the test years?

13                   MR. VINCE WARDEN:    Well, no, I -- I think  
14 the -- the process that the Board goes through today is  
15 appropriate.  And looking at our costs and revenues on a  
16 line-by-line basis and assessing the prudence of the  
17 costs incurred I think is an appropriate way to look at  
18 performance.

19                   Weather normalized view is -- if that's of  
20 value to the Board, they should be considering that, as  
21 well.

22                   MR. LLOYD KUCZEK:    Mr. Peters, before we  
23 leave this subject I would like to add a comment on the  
24 accuracy.  I think looking at just a four (4) or five (5)  
25 year period on the accuracy really doesn't tell you the

1 story when you're developing models and adjusting those  
2 models on a go-forward basis.

3                   We have been, on the electric side,  
4 monitoring accuracy for a number of years and we have  
5 longer term data and will have within a five (5) year  
6 period where the accuracy goes in one (1) direction, and  
7 then later on we'll see it actually go in the other  
8 direction for a number of years, and it could be anywhere  
9 from three (3), four (4), possibly even five (5) years,  
10 as well. So a five (5) year period is not sufficient to  
11 look at what the real accuracy of the models are.

12                   Having said that, I would add that we are  
13 planning to add this information in our future natural  
14 gas load forecasts so that the Board and ourselves,, as  
15 well, can see how the models are performing.

16                   MR. BOB PETERS: Have you determined, Mr.  
17 Kuczek, as to whether there is a systemic bias in the  
18 forecast?

19                   MR. LLOYD KUCZEK: No.

20                   MR. BOB PETERS: Well, would -- wouldn't  
21 -- wouldn't that be the case? That's why you're  
22 adjusting the forecast, is that you're regularly finding  
23 that there's some built-in systemic bias in it?

24                   MR. LLOYD KUCZEK: Okay. Depends what  
25 you mean by systemic bias. Generally speaking, there's



1 different ways of forecasting, and so you -- you can use  
2 different formulas, different predictive variables to  
3 help you with forecasting them. So I -- I -- whether  
4 it's systemic or -- or one model over another produces a  
5 more accurate model or result is -- I -- I guess is  
6 subject to interpretation, but we don't view it as  
7 systemic necessarily.

8                   And then the other thing that's very  
9 important in term -- determining the accuracy is the  
10 input information and the data that you put into it.

11                   MR. BOB PETERS: Is it -- if five (5)  
12 years isn't a good snapshot for Centra Gas, what --  
13 what's a better snapshot? Is it -- is it ten (10) years,  
14 is it seven (7) years?

15                   MR. LLOYD KUCZEK: Well, I would actually  
16 suggest more like twenty (20) years.

17                   MR. BOB PETERS: All right. Well,  
18 that'll be my next question at the GRA, so I'll just  
19 write that down as an information request for you, Mr.  
20 Kuczek, and you can -- you can pull that up. But I do  
21 appreciate your answer, and I understand it. You're --  
22 you're telling the Board that things happen, but -- but  
23 you're continuously trying to improve your load  
24 forecasts, even over these five (5) years, are you not,  
25 sir?

1                   MR. LLOYD KUCZEK:    Yes, I can -- I can  
2 also testify that the people that are in the load  
3 forecasting area take a lot of pride in developing  
4 forecasts and models that are -- have high accuracy in  
5 terms of predicting what the volumes are going to be in  
6 the future, and they are not affected by what the  
7 financial implications are going to be of -- to the  
8 company.

9                   MR. BOB PETERS:    And -- and, you know,  
10 thank you for mentioning that, Mr. Kuczek, and let me --  
11 let me state and agree with you 100 percent on that.  
12 There is no suggestion in my questions or on this side of  
13 the room at all that there's any -- that there's some  
14 personal motivation or corporate motivation in that.  
15 It's just, when you look at your update to PUB/CENTRA-26,  
16 as it jumped out to Mr. Warden, as it jumped out to me  
17 and probably you, you see a lot of underestimations and  
18 you're wondering, well, shouldn't there be, like flipping  
19 the coin, half the time it's one (1) way, half the time  
20 it's another?

21                                 And -- and so please make sure that you --  
22 this is not taken as any -- anything more than an  
23 observation.  And when I say systemic bias, that doesn't  
24 mean it's motivated by anything other than -- than it's  
25 just what turns out.

1 I'd like to turn with you, Mr. Kuczek, on  
2 that note to the fixed-rate primary gas service, and you  
3 talked about that in your opening comments through Ms.  
4 Murphy.

5 In Order 170/09, the Board indicated that,  
6 with the phase-out of hedging, Centra needs to do more to  
7 assure customers of their ability to enter fixed-price  
8 and fixed-term contracts for primary gas, either from a  
9 private broker or from Centra. Do you agree with that,  
10 sir?

11 MR. LLOYD KUCZEK: Correct.

12 MR. BOB PETERS: And when we turn to  
13 Centra's fixed-price and term service, is Centra  
14 accomplishing what Centra expected to accomplish through  
15 the fixed-rate primary gas service, sir?

16 MR. LLOYD KUCZEK: To a large degree,  
17 yes.

18 MR. BOB PETERS: To a large degree. What  
19 did you expect to accomplish?

20 MR. LLOYD KUCZEK: Well, in -- in my  
21 view, in our view, you know, we went through a  
22 substantive hearing and we discussed the current  
23 landscape back then, and I -- I think -- and I won't  
24 speak for everybody, but certainly the -- the perception  
25 was, or the view was, that we need to address customers'

1 needs and change the market landscape in some form or  
2 another.

3                   One of the things that was observed was  
4 that a number of customers expressed interest in buying  
5 fixed-price products from Manitoba Hydro -- or -- or they  
6 -- they were, first of all, interested in fixed-price  
7 products and in a -- another question that we asked our  
8 customers is whether or not they were interested in  
9 buying those products from Manitoba Hydro, and a  
10 substantive number of customers also indicated that.

11                   We also learned that a number of customers  
12 that signed up for fixed-price products didn't even know  
13 that they had signed up for fixed price products and I  
14 think it was in the range of maybe half the customers but  
15 it was fairly substantive.

16                   And so on a go-forward basis the  
17 conclusion was we needed to do something different and  
18 one of the things that we were directed to do and we  
19 agreed to do is to offer customers fixed price products  
20 and move forward in that direction and -- and see what  
21 the outcomes were going to be as we did that.

22                   MR. BOB PETERS:    Would you agree with me  
23 that the interpretation of the results of the surveys  
24 that were done where you indicate a substantive number of  
25 customers wanted a fixed rate primary gas service from

1 Centra, that hasn't materialized?

2 MR. LLOYD KUCZEK: Has materialized?

3 MR. BOB PETERS: I meant to say, has not  
4 materialized.

5 MR. LLOYD KUCZEK: Oh, well, what we also  
6 found out was that customers are only willing to pay so  
7 much for those products. And so as we were offering the  
8 products to our customers we did find out that as the  
9 premiums from the default product, if we want to call it  
10 that, the variable price product that we offer, as that  
11 gap widened customers weren't willing to purchase those  
12 products or pay the premiums for those products.

13 MR. BOB PETERS: But there's always been  
14 a premium on the fixed rate primary gas service, sir,  
15 hasn't there?

16 MR. LLOYD KUCZEK: Yes, there has been  
17 and we -- we really don't know why customers were  
18 purchasing those products from brokers. We know a  
19 substantial number of customers have and -- and I think  
20 everyone knows that there's door-to-door sales and some  
21 people have experienced the -- the sale  
22 strategies/tactics that are used and, you know, that may  
23 have influenced customers in terms of purchasing those  
24 products.

25 What we think we're finding out by

1 offering the products and having all the prices listed in  
2 -- in front of the customers when they're making those  
3 decisions, they're better informed and -- and through  
4 that process we're finding out whether or not customers  
5 are willing to pay the premiums for those products.

6 MR. BOB PETERS: What marketing efforts  
7 are done by the private retail brokers than Centra isn't  
8 using? Isn't it just door-to-door?

9 MR. LLOYD KUCZEK: Door-to-door as far as  
10 I'm aware. And I guess in terms of renewing customer's  
11 contracts I'm not sure if they use a direct mail service  
12 to those customers with contracts expiring.

13 MR. BOB PETERS: Let's turn to Tab 17 of  
14 the book of documents and look at the response that  
15 Centra gave to PUB Information Request 45. What you've  
16 done on this answer, Mr. Kuczek -- and when I say you, of  
17 course I mean Centra -- what Centra has done is you set  
18 out what the fixed rate primary gas offering from Centra  
19 is, you've compared it to what the quarterly primary gas  
20 rate is as fixed by this Board every gas quarter, and  
21 you've also put in some marketer information based on the  
22 current marketing information you had at the time the  
23 Information Request was answered?

24 MR. LLOYD KUCZEK: Correct.

25 MR. BOB PETERS: And when we look at this

1 information, one (1) of your points was, as I understood  
2 it, that -- and let's go down to February 1 to March 11,  
3 the most current fixed rate primary gas service offering  
4 from Centra. Centra was offering it -- offering a one  
5 (1) year fixed rate to consumers at twenty-seven (27)  
6 cents a cubic metre and the default price or the  
7 quarterly set price was twenty-one and a half (21 1/2)  
8 cents. You're following me?

9 MR. LLOYD KUCZEK: I wasn't and I'll have  
10 to get oriented. Were you -- were you talking about the  
11 last offering?

12 MR. BOB PETERS: Yes, sir, I am. The  
13 most recent offering. The last one, February 1 to March  
14 11 of 2010.

15 MR. LLOYD KUCZEK: Okay.

16 MR. BOB PETERS: And all I'm doing as an  
17 example is saying the one (1) year offering from Centra  
18 was at twenty-seven (27) a cubic metre and the default  
19 offering, if we can call it that, by the quarterly  
20 primary gas was twenty-one and a half (21 1/2) cents a  
21 cubic metre.

22 MR. LLOYD KUCZEK: Correct.

23 MR. BOB PETERS: There have been  
24 customers who have signed up for fixed rate primary gas  
25 service from brokers who have paid more than twenty-one

1 (21) -- more than twenty-seven (27) cents a cubic metre,  
2 correct?

3 MR. LLOYD KUCZEK: Correct.

4 MR. BOB PETERS: And so the absolute  
5 price isn't necessarily the barrier for the fixed price  
6 contract, is it? Customers have paid -- maybe they've  
7 paid as much as forty (40) cents a cubic metre?

8 MR. LLOYD KUCZEK: Correct.

9 MR. BOB PETERS: And the difference  
10 between what the customers have paid on the fixed rate  
11 and what Centra's quarterly price is that can have --  
12 that can have been -- that could have been regularly five  
13 and a half (5 1/2) spread; would you agree with that?

14 MR. LLOYD KUCZEK: Well, I agree that  
15 some customers are certainly signing up for prices that  
16 are -- that are higher than our -- the rates that you  
17 suggested. That -- that does happen. How many customers  
18 is another issue. And why they're signing up is another  
19 issue, of course.

20

21 (BRIEF PAUSE)

22

23 MR. BOB PETERS: And maybe why they're  
24 not signing up is a third issue?

25 MR. LLOYD KUCZEK: Correct.





1 Tab 17 of the book of documents, you would have  
2 PUB/CENTRA-45(b) attachment.

3 The binder was handed out with the  
4 February 19th answer, and on, I believe, April 13th, a  
5 revision has been filed as part of Centra Exhibit 10. So  
6 if the Board can find the package of materials from Ms.  
7 Murphy on April 13th, that were marked as Centra Exhibit  
8 10, included in that package will be a revision to the  
9 attachment to PUB-45(b).

10

11 (BRIEF PAUSE)

12

13 THE CHAIRPERSON: Okay, Mr. Peters.

14

15 CONTINUED BY MR. BOB PETERS:

16 MR. BOB PETERS: In looking at the  
17 revised schedule -- you have that, Mr. Kuczek?

18 MR. LLOYD KUCZEK: I do.

19 MR. BOB PETERS: And the one (1) that was  
20 filed with your Information Response answer, you -- you  
21 didn't have enough information about the most recent  
22 enrollment period?

23 MR. LLOYD KUCZEK: That's correct.

24 MR. BOB PETERS: And so you've now  
25 updated it for the Board to provide them with the most

1 recent enrollment information, somewhat like you did in  
2 your direct evidence through Ms. Murphy?

3 MR. LLOYD KUCZEK: Correct.

4 MR. BOB PETERS: And if we -- let's start  
5 at the top of the page, first of all, and the first  
6 enrollment period, you're -- you're showing, in the  
7 shaded area, the contracts that Centra projects. You  
8 look then in the -- in the next area, the contracts  
9 received, and then Centra processes them and only accepts  
10 a certain portion. And then you provide an analysis of  
11 what the end result was, correct?

12 MR. LLOYD KUCZEK: Correct.

13 MR. BOB PETERS: And in the first  
14 offering, it looks like 48.2 percent of the volumes were  
15 subscribed, and that left the balance unsubscribed?

16 MR. LLOYD KUCZEK: Correct.

17 MR. BOB PETERS: In the second offering,  
18 you ended up having a situation where the subscriptions  
19 actually were greater than what you had purchased gas  
20 for?

21 MR. LLOYD KUCZEK: Yes, it's similar to  
22 load forecasting.

23 MR. BOB PETERS: Good point. Just on a  
24 note, how do you -- how do you meet that extra 2.9  
25 percent of over subscription when you've already made

1 your commitment to your hedging counterparty for volumes?

2 MR. GREG BARNLUND: Mr. Peters, if I  
3 might just try and explain that. We are not -- what we  
4 are doing is we are going and we are placing hedges for a  
5 forecast amount of volume that we would hope to be  
6 subscribing. In the event that we have some level of  
7 over -- over subscription, the volumes that are provided  
8 and sold to those customers under the fixed rate  
9 arrangement, some of those volumes would be unhedged and,  
10 therefore, the Corporation would bear the financial risk  
11 of the price movement on those particular volumes and,  
12 ultimately, the financial results of that or the  
13 consequences of those transactions would float a net  
14 income and eventually to retained earnings.

15 MR. BOB PETERS: Have I got your answer  
16 correct on that, Mr. Barnlund, that for 2.9 percent of  
17 the volumes for the second enrollment period, which was  
18 for a December 1st, 2009 flow date, Centra self hedged  
19 2.9 percent?

20 MR. GREG BARNLUND: Correct. That would  
21 be the difference. We would have hedged 78,870  
22 gigajoules, we would have subscribed to customers  
23 forecast sales of 80,484 gigajoules and so, therefore,  
24 there would be some level of -- of that -- or that volume  
25 difference would be -- would be unhedged and, therefore,

1 we would be absorbing the consequences of those price  
2 differences.

3 MR. BOB PETERS: On a factual basis, Mr.  
4 Barnlund, with -- we've looked at your hedging results  
5 and the additions to gas cost that hedging has been  
6 causing. Would it be correct to say that this 2.9  
7 percent of self hedging has, in essence, reduced gas  
8 costs, and reduced it because you haven't, in fact, put  
9 on an external hedge?

10 MR. GREG BARNLUND: Well, it's difficult  
11 to say in that these volumes are a combination of one  
12 (1), three (3), and five (5) year forecast volumes for  
13 these particular customers, and so it's difficult to  
14 determine at this point in time what the exact results  
15 would be in that regard.

16 MR. BOB PETERS: That's a fair comment.  
17 In addition to that, sir, the subscription level that  
18 exists here is on a weather normal basis?

19 MR. GREG BARNLUND: Yes, sir, and it's  
20 based on usage estimates and so, obviously, the actual  
21 consumption of those customers under those contracts will  
22 be subject to some variation.

23 MR. BOB PETERS: And that variation is  
24 then absorbed or borne by Centra, as well?

25 MR. GREG BARNLUND: That's correct.

1                   MR. BOB PETERS:    Turning to the third  
2   subscription period for the February 1st flow date, again  
3   we're back to less than 50 percent, Mr. Kuczek, of  
4   subscribed volumes being taken up by consumers?

5                   MR. LLOYD KUCZEK:    Correct.

6                   MR. BOB PETERS:    And relative to the  
7   second or the December 1st flow date, did the Corporation  
8   reach any decision as to why those two (2) would be so  
9   different?

10                  MR. LLOYD KUCZEK:    Yes, and I mentioned  
11   the gap had widened.  The other thing that was happening  
12   that I didn't mention is that natural gas prices have  
13   been falling for a period of time, and as they continue  
14   to fall and if it stays -- or if the environment is over  
15   -- an environment where prices decline or continue to go  
16   down over a period of -- a longer period of time, we  
17   believe customers actually get more comfortable with the  
18   prices and staying with the variable priced product as  
19   opposed to fixing their prices, and so there's less  
20   incentive or inclination on their part to sign for the  
21   longer term fixed price contracts.

22                  MR. BOB PETERS:    Does that answer then  
23   mean that Centra's interpretation is that customers only  
24   want to lock in a price for their primary gas when the  
25   price is higher than what they consider normal?

1                   MR. LLOYD KUCZEK:    No.  Well, I'm not  
2  sure I totally understand that.  I mean, there's many  
3  things that go into the decision making process, and it  
4  varies per customer.  But certainly in an environment  
5  where prices are very volatile and they're spiking or  
6  they're going up, I think customers would be -- would  
7  tend to be inclined to sign on to fixed term -- fixed  
8  price products because they might have the view, or at  
9  least some of them, that -- and be influenced by the --  
10 this view that the prices will continue to go up forever.

11                   It's similar to why people buy stocks when  
12 they're -- when they're at their peaks and they sell at  
13 the lows.

14                   MR. BOB PETERS:    You've seen my  
15 portfolio.

16                   MR. LLOYD KUCZEK:    Experienced it.

17                   MR. BOB PETERS:    Mr. Kuczek, let's turn  
18 to the May 1st flow date, the last offering that the  
19 Corporation has put out with respect to fixed rate  
20 primary gas service.  Your update that the Board now has  
21 shows the Board that you expected as many as seventy-five  
22 (75) customers in the SGS residential class and, as you  
23 said to Ms. Murphy, you received ten (10) of them?  You  
24 received ten (10) accepted contracts?

25                   MR. LLOYD KUCZEK:    Correct.

1                   MR. BOB PETERS:    As a result, Centra is  
2 sitting -- when you factor in the large general service  
3 customers and their experience, you've got a total number  
4 of contracts of -- accepted of ten (10) out of what was  
5 expected to be eighty-four (84)?

6                   MR. LLOYD KUCZEK:    That's correct.

7                   MR. BOB PETERS:    And your subscription  
8 percentage is 2.5 percent?

9                   MR. LLOYD KUCZEK:    Yes.

10                  MR. BOB PETERS:    Appears abysmal, doesn't  
11 it?

12                  MR. LLOYD KUCZEK:    We don't have good  
13 models, no.

14                  MR. BOB PETERS:    Well, and I'm not  
15 blaming the forecasting on it, but -- but just in terms  
16 of absolute numbers, ten (10) customers, that's maybe a  
17 slow afternoon for Just Energy. And -- and for some  
18 reason they're not coming through to -- to Centra. Would  
19 that be a fair assumption, or do you know that?

20                  MR. LLOYD KUCZEK:    I -- I don't know what  
21 Just Energy is doing right now. But I do know from past  
22 experience, when prices are going up the brokers in the  
23 past have used that opportunity to be more aggressive in  
24 the marketplace when they're selling their products.

25                  MR. BOB PETERS:    And as I understood your



1 evidence to Ms. Murphy, the Corporation's response to  
2 this last offering is to cancel the next one?

3 MR. LLOYD KUCZEK: Yes, we -- we don't  
4 think it makes a lot of sense to spend the money on  
5 advertising during this environment, to continue to offer  
6 these -- these products for a couple of reasons. One (1)  
7 is we would forecast very low volumes, and to be able to  
8 hedge those volumes would be next to -- well, it would be  
9 virtually impossible.

10

11 (BRIEF PAUSE)

12

13 MR. BOB PETERS: Off the top, do you know  
14 how much Centra spent advertising to get those ten (10)  
15 residential customers?

16 MR. LLOYD KUCZEK: About -- I think we  
17 filed that information, but it was my -- about nineteen  
18 thousand dollars (\$19,000) on marketing costs,  
19 advertising costs.

20

21 (BRIEF PAUSE)

22

23 MR. BOB PETERS: When I look to see what  
24 the net cost of Centra's fixed rate primary gas service  
25 con -- offerings are, I was using some information from

1 PUB/CENTRA 62(d). And that should be the last page in  
2 Tab 17 of the book of documents that the Board and you  
3 have, Mr. Kuczek.

4 And I appreciate that PUB/CENTRA 62(d)  
5 attachment, dated February 19th, has not been revised in  
6 terms of the more recent experiences.

7 But it appears to me that on -- as a  
8 result of the hedging, the Corporation has lost three  
9 hundred and twenty-four thousand dollars (\$324,000) for  
10 the three hundred and sixty-one (361) contracts that you  
11 have?

12 MR. LLOYD KUCZEK: Three hundred and  
13 seventy-one (371) contracts, I think this is just the  
14 position that -- that -- or the -- the outcome of doing a  
15 mark-to-market on all the hedging that's taken place.

16 You -- if you wanted to know what the  
17 financial implications are, you would have to take off  
18 the offsetting volumes that we have contracted with our  
19 customers, because that offsets these hedges for the  
20 prices that we sold it for.

21 And, of course, on a go-forward basis,  
22 we'll -- we'll eventually see where prices result, and  
23 that will have an impact on the mark-to-market as we move  
24 forward. And as we're certainly in a low priced market  
25 environment today with natural gas, and nobody certainly

1 knows where it's going to go in the future, but the  
2 general thought is, is that -- that we're at a low point.  
3 We were last summer, we are this summer again. Volumes  
4 and storage were higher than they have been for years,  
5 and it certainly wasn't a cold winter. So going into  
6 this winter I think we're going to see similar prices.  
7 But personally I would be surprised to see these prices  
8 sustained for a long period of time.

9 MR. GREG BARNLUND: Mr. Peters, I might  
10 also add that in terms of the mark-to-market projections,  
11 there are a number of items on here that are yet to run  
12 for three (3) and five (5) years and so, ultimately,  
13 those results may -- may be somewhat different at the end  
14 of those periods of time.

15 MR. BOB PETERS: And I accept that and I  
16 -- I actually hadn't thought of the qualification that  
17 Mr. Kuczek gave the Board and I appreciate him doing  
18 that, but my simple math, rounded, is that it's costing  
19 Centra nine hundred dollars (\$900) per customer on this  
20 program on a mark-to-market basis. And some of that, I  
21 will concede to Mr. Kuczek, is being absorbed by the  
22 customer, but that's -- that's roughly where it's sitting  
23 right now.

24

25

(BRIEF PAUSE)

1 MR. LLOYD KUCZEK: Mr. Peters, just to  
2 make sure everyone is clear on that, that that does not  
3 include the administration, marketing costs and all other  
4 costs associated with running the program, as well.

5 MR. BOB PETERS: Understood, but those  
6 costs are to be recovered in what is being charged  
7 through to the fixed rate primary gas customers?

8 MR. LLOYD KUCZEK: If you had signed up  
9 enough customers to do that, yes.

10 MR. BOB PETERS: All right. And what  
11 you're telling the Board is, because of the low  
12 subscription rate the costs have exceeded the recoveries  
13 on the administration costs?

14 MR. LLOYD KUCZEK: Certainly, that's  
15 true, yes.

16 MR. BOB PETERS: All right. And I -- I'm  
17 still a little confused on PUB/CENTRA-62(d) attachment,  
18 Mr. Kuczek and Mr. Barnlund. Does this show just the  
19 hedging impacts on the gas purchased or does this reflect  
20 the difference between Centra buying it on a fixed -- at  
21 a fixed price from a counterparty and then adjusting it  
22 for the variability that's happened in the market since?

23 MR. GREG BARNLUND: This is only the  
24 hedging results. We are not purchasing any discrete  
25 supply under a fixed price arrangement to satisfy these

1 contracts. We are simply going into the market and  
2 obtaining financial derivatives to cover these -- to  
3 cover these transactions.

4 MR. BOB PETERS: You're purchasing it on  
5 a variable basis and you're selling it on a fixed basis;  
6 is that right?

7 MR. GREG BARNLUND: That's correct.

8 MR. BOB PETERS: And the results of -- of  
9 the third party or over-the-counter derivative hedging is  
10 what you show here on a mark-to-market basis?

11 MR. GREG BARNLUND: Yes, sir.

12 MR. BOB PETERS: Thank you. I have your  
13 point.

14

15 (BRIEF PAUSE)

16

17 MR. BOB PETERS: Not all of the contracts  
18 have settled, Mr. Kuczek, you've told us that because  
19 they -- some of them run out for three (3) and five (5)  
20 years?

21 MR. GREG BARNLUND: Yes, sir.

22 MR. BOB PETERS: Are you able to provide  
23 the Board by way of an undertaking the results of the  
24 contracts that have settled?

25 MR. GREG BARNLUND: I believe we could,

1 yes.

2 MR. BOB PETERS: Subject to any concern  
3 from, well, my friend, Ms. Murphy.

4 MR. GREG BARNLUND: We -- we may have that  
5 in the Information Request already; we just need to check  
6 that, so.

7 MR. BOB PETERS: All right. Maybe we can  
8 just ask you to check that and if it's not available to  
9 perhaps provide the Board with that undertaking.

10 MR. GREG BARNLUND: Certainly.

11 MS. MARLA MURPHY: Maybe it's my date  
12 issue, but we first flowed gas in May of '09, so nothing  
13 will settle until May of '10. So we don't have any  
14 contracts where the contracts have completed. The first  
15 ones won't complete until after April 30th of 2010.

16

17 CONTINUED BY MR. PETERS:

18 MR. BOB PETERS: Fair comment. We'll  
19 save that for an IR for the GRA.

20 Mr. Kuczek, I want to end my discussions  
21 with you on the -- the fixed price contract with just  
22 what is Centra doing to increase enrollments, if  
23 anything?

24 And maybe the answer is you're not doing  
25 anything to increase enrollments.

1                   MR. LLOYD KUCZEK:   Well, I wouldn't --  
2    yeah, you are correct, our marketing efforts are not to  
3    increase enrollments for fixed price products.  Our  
4    objectives are to offer those products to customers and  
5    let the customers choose.

6                   In the end of the day, we're -- we're okay  
7    if customers don't want those products and don't want to  
8    pay the premiums, we just need to figure out on a go-  
9    forward basis what makes sense in terms of the services  
10   we offer our customers.

11                  So in terms of adding to that, though,  
12   what we do believe we need to do is educate customers on  
13   a go-forward basis.  And we -- we did have an education  
14   campaign that started when -- I believe when we launched  
15   this program.  And then we further informed customers by  
16   offering the products and advertising on the -- in  
17   newspapers, radios, that they have the choice of these  
18   products.  So that's what we have been doing.

19                  How frequent we do it, I think that's  
20   clear too; it's as frequent as we make the offerings, and  
21   we were moving in the direction to try to offer these  
22   products more frequently, provided customers were  
23   interested in these products.

24                  The -- the wall that we've hit, of course,  
25   is that we're in an environment where customers are not

1 that interested, and the bigger barrier that I see is --  
2 is, although customers are interested, the premiums are  
3 too high. So unless we can figure out a way of getting  
4 those premiums down, it's going to be a challenge going  
5 forward.

6 MR. BOB PETERS: Just maybe three (3)  
7 more questions. If we go back to the revised PUB/CENTRA-  
8 45(b) attachment and we look at the second enrolment  
9 period that was to flow gas December 1 of 2009, why does  
10 Centra allocate more capacity or volumes than it posts as  
11 available for fixed price offerings?

12 MR. LLOYD KUCZEK: Can you explain that  
13 in a little more detail? I'm not sure that I followed  
14 the question.

15 MR. BOB PETERS: All right. Follow  
16 through, if you could, under the one (1) year contract on  
17 the December 1st flow date on PUB-45(b), attachment  
18 revised.

19 MR. LLOYD KUCZEK: Okay.

20 MR. BOB PETERS: On the -- on the first  
21 year, for the one (1) year contract, Centra is hedging  
22 48,150 gigajoules, yet it accepts subscriptions for  
23 49,806 gigajoules. Do you see that?

24 MR. LLOYD KUCZEK: Correct.

25 MR. BOB PETERS: And so the subscription



1 rate is 103.4 percent?

2 MR. LLOYD KUCZEK: Correct.

3 MR. BOB PETERS: It's over-subscribed.

4 Would that be fair?

5 MR. LLOYD KUCZEK: We look at the --  
6 being over-subscribed on a total basis. When we hedge  
7 the volumes going forward and match that to what  
8 customers are taking the -- or what customers are signing  
9 up for in terms of these contracts, we're indifferent to  
10 where the contracts eventually get purchased, whether  
11 it's a one (1) year, three (3) year or five (5) year, so  
12 we're -- or what type of customer, I guess.

13 So the most important thing in terms of  
14 being fully subscribed is the total, which is the 102.9.  
15 So...

16 MR. BOB PETERS: Okay. Well, I -- I  
17 appreciate your answer in -- in saying you're indifferent  
18 to whether it's a residential or an LGS customer.

19 MR. GREG BARNLUND: Mr. Peters, I recall  
20 from our application for fixed-rate primary gas service  
21 that we provided evidence in that application that  
22 indicated that there was no way that we were going to hit  
23 -- be able to manage this to 100 percent subscription  
24 rate, and there would conceivably some -- be some level  
25 of over-subscription due to the differences in customer

1 volumes, certainly for the LGS customers and for the SGS  
2 commercial customers.

3                   So essentially, we process contracts -- my  
4 understanding is we process contracts to the point where  
5 we have those volumes subscribed, but there will not be a  
6 perfect -- a perfect match to 100 percent when we would -  
7 - when we would close that -- that subscription period.

8                   MR. BOB PETERS:    What you're telling the  
9 Board is, you don't prorate the available volumes in the  
10 fixed-price offerings rather than -- rather, you go over  
11 the posted amount or your forecast amount?

12                   MR. GREG BARNLUND:   Well, it's on a  
13 first-come, first-served basis and -- and you could end  
14 up at some point in time close to the end of the  
15 subscription period where an SGS commercial customer or  
16 LGS commercial customer is -- is subscribing.  And by  
17 virtue of their average or forecast volumes, when you add  
18 them to the list, and they would be the next customer on  
19 the list, conceivably it could push you slightly over top  
20 of your -- your target in terms of the amount that you  
21 had hedged.

22                   MR. LLOYD KUCZEK:   Adding to that, just  
23 so you understand, is that when we do the one (1) year,  
24 three (3) year and five (5) year products and we're going  
25 to cut off when customers -- or when we consider it being

1 over-subscribed, we use a -- a measure of, I think,  
2 plus/minus, and I don't recall whether it was 4 percent  
3 or a number like that.

4           But you can't -- you can't have your  
5 volumes perfectly matched when you're signing up  
6 customers to what you hedge, so you have to have a little  
7 bit of flexibility in terms of what the cut-off point is,  
8 and we have a plus/minus factor that we use. And so what  
9 you're seeing there is one (1) -- 103.4 percent for the  
10 one (1) year subscription as being what we term as fully  
11 subscribed, even though it's 3.4 percent over.

12           MR. BOB PETERS:    And I heard from Mr.  
13 Barnlund, you don't want to prorate a customer, so that  
14 if it's a residential customer, half their primary gas is  
15 on the fixed rate and the other half is going to be at  
16 the quarterly rate?

17           MR. LLOYD KUCZEK:   That's correct.

18           MR. BOB PETERS:    I'm not sure I asked  
19 this question, but if we go down to the May 1st, 2010  
20 flow date, you're going to be long on some gas here.  
21 What happens to the volumes that remain unsubscribed in  
22 each fixed price offering for each term?

23           MR. GREG BARNLUND:   Well, Mr. Peters, the  
24 volumes are the volumes, and the customers that are  
25 consuming gas under the quarterly rate or under the fixed

1 rate offering are going to be supplied from our system  
2 supply. It's not that we have discrete volumes that are  
3 -- that are being purchased and that are intended to flow  
4 to this group of customers. Instead, we separately place  
5 financial derivatives based on the forecast of our  
6 uptake.

7                   And to the extent that we don't have  
8 enough customers that sign up for these particular  
9 services, those financial derivatives will -- will remain  
10 in place, and the results and the financial consequences  
11 of those derivatives will be reflected in our net income.

12                   MR. BOB PETERS: Thank you. I think that  
13 even answers my next question that so if there is a gain  
14 or a loss on the fixed price offering, it gets flowed  
15 down and recorded in the net income for the year?

16                   MR. GREG BARNLUND: Indeed.

17                   MR. BOB PETERS: And then in terms of how  
18 that is cleared, that impact on that income is a factor  
19 taken into consideration by Centra Gas Manitoba Inc.'s  
20 Board in terms of coming forward for a general rate  
21 application?

22                   MR. GREG BARNLUND: Ultimately, it would  
23 be. However, we have to also bear in mind in looking at  
24 the volumes and looking at the -- the amount of hedging  
25 that we're describing here, overall -- and a reflection

1 of \$350 million or a \$300 million revenue requirement,  
2 these are relatively small numbers that we are referring  
3 to.

4 That -- that said, it ultimately would be  
5 a factor in terms of being reflected in retained  
6 earnings, and would be ultimately taken into  
7 consideration.

8

9

(BRIEF PAUSE)

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MR. BOB PETERS: Mr. Kuczek, Ms. Murphy  
talked me out of an undertaking and I'm going to try to  
get back at her, but I wonder if -- if, as an  
undertaking, could the Corporation calculate the current  
position of all contracts, that is the gains and losses  
of the hedges, plus the difference between the selling  
price and the supply costs so the Board would have an  
assessment of what the total retained earnings impact  
would be to date?

20

MR. LLOYD KUCZEK: We can do that.

21

MR. BOB PETERS: Ms. Murphy --

22

23

24

25

MR. VINCE WARDEN: Mr. Peters, I don't  
want to talk you out of an undertaking, but I think we  
already have that number. We know that we have to mark-  
to-market all outstanding hedges. That's just in

1 accordance with the -- the accounting rules. So there is  
2 going to be a bottom line impact overall in the '09/'10  
3 fiscal year of close to a million dollars as a result of  
4 the fixed rate program.

5

6 (BRIEF PAUSE)

7

8 MR. BOB PETERS: Thank you, Mr. Warden.  
9 Again, you've removed the necessity for the undertaking.  
10 But I'm sitting here puzzled that when the mark-to-market  
11 numbers aren't that large, how -- how can the overall  
12 program results to date be close to a million dollar --  
13 million dollar loss?

14 MR. VINCE WARDEN: Well, as Mr. Kuczek  
15 indicated earlier, the -- the numbers that we're  
16 referring to -- referred to previously were the gas costs  
17 only, the gas consequences only, and we have to take into  
18 account the administration costs.

19 So the million dollar number that I  
20 referred to was the net impact of the program, the fixed  
21 rate program, including all -- all operating costs and  
22 the amortization of the startup costs.

23 Of that million dollars I referenced,  
24 approximately half would be related to hedges that have  
25 settled. I was going to say settled, but as pointed out,

1 it's not -- they wouldn't have settled yet. The -- those  
2 would be the profit and loss of -- of the -- half of the  
3 million dollars would relate to those hedged volumes that  
4 we have, in fact, contra -- offsetting contracts for.

5 The -- the other half a million dollars  
6 would be for the contracts for which there is not another  
7 side. So there's -- that would be for the volumes that  
8 are unsubscribed as at the end of the fiscal year.

9 MR. BOB PETERS: Thank you, Mr. Warden.

10 Mr. Kuczek, with -- with perhaps that  
11 bleak background, let's look to see where Centra's  
12 forecast of where the fixed rate primary gas service is  
13 headed by turning to Tab 18 of the book of documents.

14 And I won't dwell on it, but PUB/CENTRA-28  
15 gives the Board the historical numbers of the program and  
16 -- and the subscription by way of number of customers and  
17 customer class, correct?

18 MR. LLOYD KUCZEK: Correct.

19 MR. BOB PETERS: And then percentage of  
20 customers is contained on page 2 of 2 of PUB/CENTRA-28?

21 MR. LLOYD KUCZEK: Correct.

22 MR. BOB PETERS: Now, Mr. Chairman and  
23 Board members, also under Tab 18 of your book of  
24 documents would be a response to PUB/CENTRA-63. That  
25 document was updated on April the 13th of 2010 as part of

1 Centra Exhibit 10, and I believe it was part of the --  
2 the package Ms. Murphy had circulated on that date, and  
3 in that package was an update for PUB/CENTRA-63.

4 And, Mr. Kuczek, you have that update and  
5 the revised copy of PUB/CENTRA-63?

6 MR. LLOYD KUCZEK: Yes.

7 MR. BOB PETERS: In light of what you've  
8 told the Board to date, is this forecast in terms of  
9 what's going to happen into the future even worth  
10 discussing at this point in time? Is it even plausible,  
11 or is it even on the Corporate agenda?

12 MR. LLOYD KUCZEK: No, I don't think it's  
13 worth discussing. These forecasts were our estimates and  
14 fairly crude back -- a while back, and the market has  
15 certainly changed and we've certainly gained some  
16 experience in the marketplace since then.

17 But on a go-forward basis, we would  
18 produce new forecasts, and those forecasts are going to  
19 change dramatically depending on market conditions and  
20 certainly what -- what we're able to do in terms of the  
21 fixed price offerings with respect to the gaps in prices.

22 MR. BOB PETERS: So the forecast that is  
23 in this answer to Information Request going out to March  
24 of 2014, and however crude, was an expectation that there  
25 could be as many as 3 percent of your residential SGS



1 customers signing on for fixed rate primary gas service.  
2 That's going to have to be looked at in totality and new  
3 forecasts are going to have to be provided?

4 MR. LLOYD KUCZEK: That's correct. That  
5 was the forecast that we came up with. There was two (2)  
6 forecasts, and I -- I forget which is which here, but one  
7 (1) of them was when we first launched the program.

8 And then, subsequently, we adjusted that  
9 to -- when we did our load forecast in the summer of  
10 2009, and we lowered our forecast in terms of how many  
11 people would sign up at that point. But if we were to do  
12 it today, we would even lower it more, but it would be  
13 very difficult to predict what it would be two (2) years  
14 from now when gas prices might be on the rise.

15 MR. BOB PETERS: I'll try to remember to  
16 add that to my list of Information Requests for the next  
17 time we -- we meet. On the fixed rate primary gas  
18 service we've talked about a number of issues or reasons  
19 that customers maybe haven't subscribed.

20 In response to CAC/MSOS question number 18  
21 found at Tab 19 of the book of documents, on page --  
22 excuse me, on page 3 of 3, you've noted some issues.

23 MR. LLOYD KUCZEK: Correct.

24 MR. BOB PETERS: And some of them we've  
25 talked about, some of them we haven't, Mr. Kuczek, but

1 the first one (1), as -- as Centra winds down its hedging  
2 program, as directed by the Board in Order 170/09,  
3 there's a suggestion that Centra may have difficulty  
4 obtaining competitive hedges for what amounts to very  
5 small or nominal volumes.

6 MR. LLOYD KUCZEK: Correct.

7 MR. BOB PETERS: That hasn't in fact been  
8 a problem to date, has it?

9 MR. LLOYD KUCZEK: As I understand it,  
10 talking to our gas supply staff, it's not a problem to  
11 date. We have sufficient volumes. We do sufficient  
12 business with our third parties that offer these services  
13 to us, so they are -- they have offered us at least a  
14 price, and I can't say whether it's a reasonable price in  
15 terms of those prices for the -- or hedges for the fixed  
16 price products.

17 MR. BOB PETERS: And isn't it correct  
18 that, you know, if you only have one (1) pail of gas that  
19 you want to hedge, there's going to be somebody out there  
20 who's going to provide you an over-the-counter derivative  
21 product?

22 MR. LLOYD KUCZEK: Well, if it's one (1)  
23 pail of gas, I don't think anybody would even answer the  
24 phone anymore if they knew that's all you're calling  
25 about. There is a limit to what -- I mean, I think the

1 point you're making is, for the right price anybody will  
2 sell it to you but the price would be so ridiculous we  
3 wouldn't even consider buying it.

4 MR. BOB PETERS: Do you know what that --  
5 well, my crude example, how big the pail has to be before  
6 you're going to get people answering the phone? How --  
7 what kind of volumes or how many gigajoules would you  
8 have to have as a minimum volume hedged?

9 MR. LLOYD KUCZEK: That's difficult for  
10 me to answer. Mr. Stephens would be the best person to  
11 answer that question, but it certainly needs to be more  
12 than our three hundred and seventy-one (371) customers, I  
13 think, that are -- have signed up so far.

14 MR. GREG BARNLUND: And, Mr. Peters, I  
15 might add that we need more than one (1) party to come to  
16 the -- to the table when we would be seeking those --  
17 those financial derivatives. We would need a minimum  
18 number of -- of counterparties to participate. And so  
19 there needs to be sufficient interest to attract a robust  
20 or a sufficient number of counterparties to bid on these  
21 transactions.

22 MR. BOB PETERS: And to date that hasn't  
23 been a problem is what the Board has heard but that's a  
24 possible concern down the road and you can't quantify  
25 where that threshold is?

1                   MR. GREG BARNLUND:   For the offerings  
2 that have been hedged to this point, we have had  
3 sufficient counterparty participation. We do not know to  
4 the extent as we exit our -- our quarterly hedging  
5 program whether those conditions in that situation will  
6 remain as it has been.

7                   MR. BOB PETERS:   I want to turn to just  
8 some questions that relate to a presentation made by a  
9 presenter earlier this week and certainly Mr. Barnlund  
10 and Mr. Warden were here when Mr. Carroll made a  
11 presentation to the Board and there were some questions  
12 between him and the Board.

13                   But, Mr. Kuczek, is it correct that the  
14 key account representatives for your larger volume gas  
15 customers are not getting advice as to whether the market  
16 is at an all-time low and this is a good time to lock in  
17 gas or is there any advice being provided to them?

18                   MR. LLOYD KUCZEK:   We certainly wouldn't  
19 provide that advice to them; we would only provide them  
20 with information on what's happening in the marketplace  
21 and let the customers decide, and we do provide that  
22 information to our customers. We send out -- and I  
23 forget what the newsletter, it's a market update  
24 something or other, but it's a newsletter which provides  
25 customers with information on what's happening in the

1 marketplace and so they do get that information. And we  
2 prefer to let our customers make their own decisions  
3 because we -- we can't forecast where gas is going  
4 ourselves, the prices.

5 MR. BOB PETERS: No, and let's accept --  
6 let's accept your premise that Centra can't with  
7 certainty forecast where the price of gas is going to go.

8 But the Board publishes every quarter a  
9 primary gas order and in it, it contains a page of  
10 historical values compared to what the current value is;  
11 you've seen that?

12 MS. KELLY DERKSEN: Yes, I have, yeah.

13 MR. BOB PETERS: And does that  
14 information -- is that information that these large  
15 volumes customers could benefit from in terms of looking  
16 historically as to where the prices have been and where  
17 they are now as to whether they think this is a good time  
18 or a bad time to perhaps fix or lock in a gas contract?

19 MR. LLOYD KUCZEK: You know, the more  
20 information you can provide them the better it is in  
21 terms of the customers being informed in the marketplace.  
22 So that includes historical/forward prices we provide  
23 them, as well. And what's going on in the market with  
24 regards to -- and the shale gas discoveries is what's  
25 having a significant impact in conjunction with the

1 recession at this time, so...

2 MR. BOB PETERS: Maybe Mr. Stephens has  
3 to go along on some of those sales calls and explain  
4 that, in his memory, which has some -- some expanse to  
5 it, that, you know, not for the last ten (10) years have  
6 gas prices been this low and maybe that's a signal that  
7 some of these customers would be interested in hearing.

8 MR. LLOYD KUCZEK: Yes. And, you know,  
9 our customers are seeing that. But you have to be  
10 careful with that because -- just because that's the  
11 case, doesn't mean that prices can't stay this low for  
12 the next year -- ten (10) years necessarily either,  
13 because we didn't forecast the amount of shale -- or gas  
14 that's going to be discovered through shale gas and the  
15 price reductions that could occur because of that.

16 MR. BOB PETERS: Okay. And, again, your  
17 point is that Centra can't, with certainty, forecast the  
18 price, and I'll concede that in my questioning. But even  
19 if one (1) of your key customer accounts and maybe some  
20 of the signatories to the letter that Mr. Carroll read,  
21 even if they told their Centra Gas key account  
22 representative that they wanted to lock in at one (1),  
23 three (3) or five (5) gas contract at -- at whatever  
24 price is available, Centra couldn't offer that to them at  
25 this point, could they?

1 MR. LLOYD KUCZEK: That's correct.

2 MR. BOB PETERS: And the reason Centra  
3 couldn't offer it is because you haven't advanced a  
4 program through this Board to allow Centra to go to the  
5 larger volume customers on a fixed price of primary gas  
6 service?

7 MR. LLOYD KUCZEK: Yeah, we -- we made  
8 the decision to go forward with smaller volume customers  
9 to gain a better understanding of how this program and  
10 service offering would work on a go-forward basis. And -  
11 - and one (1) of the concerns we had is the significant  
12 exposure that the company could be faced -- confronted  
13 with if we had significant volumes hedged and customers  
14 didn't sign up for those volumes.

15 And then the other area that -- of concern  
16 with regards to the mismatch between what the customers  
17 sign up for and what we hedge is the volumes that are  
18 related to weather, which are significant, and you can't  
19 predict those each year exactly. So there's risk  
20 associated with that, as well.

21 So we thought the most prudent approach  
22 for the company to take at this point was to start with  
23 small customers, small volume customers, and see how the  
24 program evolves as we move forward, and then make a  
25 decision at that point whether or not to make an

1 application to the Board to include the larger volume  
2 customers.

3 MR. GREG BARNLUND: And, Mr. Peters, I  
4 might want to add that the large volume customers may  
5 present a different volumetric risk profile on an  
6 individual basis than the customer group that we are  
7 currently marketing to.

8 The Board-approved volumetric risk premium  
9 that we are embedding within our pricing mechanism is at  
10 5 percent, and it is conceivable that the risk profile  
11 associated with large industrial customers is somewhat  
12 different than that and would merit a -- an application  
13 to the Board, or certainly some review and revision of  
14 that level of volumetric risk premium to serve that  
15 particular segment of the market.

16 MR. BOB PETERS: Mr. Barnlund, you --  
17 Centra could design a brand new customer program for the  
18 larger volume customers, whether they be in the high-  
19 volume firm, the -- any other customer class. And you  
20 could design your program where you would hedge their  
21 minimum years' volumes?

22 MR. GREG BARNLUND: I think there's a  
23 number of potential options that could be considered in  
24 that regard. There may be other options that may meet  
25 these customers' needs that do not involve the fixed



1 price fixed term arrangement. And the concern that's  
2 been expressed by these customers from time to time is  
3 their overall cost volatility with respect to their  
4 budgeting time periods.

5                   And there may be solutions that we -- that  
6 we could develop, and in conjunction with those  
7 customers, that may suit their needs that may not involve  
8 specifically a fixed rate fixed term arrangement. And so  
9 we would be wanting to consider all options in that  
10 regard.

11                   Some of those options may be brought forth  
12 before this Board. Other of those options may not  
13 require approval of the Public Utilities Board to  
14 implement, and -- but we would certainly keep the Board  
15 informed in terms of our activities in that regard.

16                   MR. BOB PETERS: My next question doesn't  
17 relate to anything specifically Mr. Carroll said, but if  
18 -- if a large volume gas customer wants certainty with  
19 respect to its input costs in making its widgets, for  
20 example, one way to do that each and every year is to  
21 have a fixed price natural gas contract?

22                   MS. KELLY DERKSEN: I think we've put --  
23 go ahead.

24                   MR. GREG BARNLUND: Well, I think that's  
25 -- that's one (1) -- one (1) means. I think that the --

1 the other issue that these customers need to address is  
2 that their cost volatility or their bill volatility may  
3 be impacted by other things other than just simply the  
4 unit cost of natural gas.

5           And even large industrial customers are  
6 prone to variation in terms of the weather profile.  
7 Because they operate and they function in the environment  
8 in which we live, there is weather sensitivity to their  
9 requirements. And so, you know, it's conceivable that,  
10 even with a fixed price, or fixed rate fixed term  
11 agreement for a given period of time, it may not produce  
12 the outcome that they ultimately are seeking in that  
13 regard.

14           MR. BOB PETERS: What you're telling the  
15 Board is that it -- it may be bill volatility not rate  
16 volatility that is the issue for some of these customers?

17           MR. GREG BARNLUND: That's -- yes, we  
18 understand that to be the case, yes.

19           MR. BOB PETERS: And the way you solve  
20 that for the lar -- for the small volume customers is you  
21 offer an equal payment plan, or an -- a program where  
22 every month your bill is approximately the same number?

23           MR. GREG BARNLUND: Yes.

24           MR. BOB PETERS: Sorry, Mr. Kuczek, I  
25 didn't mean to cut you off.

1                   MR. LLOYD KUCZEK:   Well, I was just going  
2 to add a comment with regards to -- you know, our  
3 intention is to actually discuss this further with our  
4 customers, large volume customers, and to explore what  
5 services we can offer them to meet their needs.

6                   And, you know, I wouldn't suggest that we  
7 would exclude any option. And you were suggesting one  
8 (1) of those options being just fixing a portion of those  
9 volumes, and we would discuss that with them. And  
10 whether or not we would proceed, we'd have to think about  
11 it and talk about all the issues.

12                   But you -- you were suggesting that as a  
13 possible or a viable option, and we certainly -- we  
14 wouldn't be excluding that, but it needs to be discussed  
15 clearly further with our customers and internally, as  
16 well.

17                   MR. BOB PETERS:   I suggest, Mr. Chairman,  
18 the last word be Mr. Kuczek's, and this would be an  
19 appropriate time for the morning break.

20                   THE CHAIRPERSON:   Okay. Just before we  
21 do, just two (2) questions come to mind. In Mr. Peters'  
22 cross-examination of the panel and the discussion that  
23 has ensued, there's been a lot of discussion about  
24 tangible things and results and financial forecasts and  
25 things of that particular nature.

1                   Is there not intangible benefits  
2 associated with Centra's participation in the fixed price  
3 fixed term market?

4

5                                   (BRIEF PAUSE)

6

7                   MR. VINCE WARDEN:    Yes, we definitely  
8 agree with that, Mr. Chairman.  And I think Mr. Kuczek  
9 alluded to that, if -- if you're making the same point  
10 that I'm thinking of, with respect to the posting of  
11 prices, and comparing prices, and having an effect on the  
12 marketplace.

13                                   I think it's have -- had a very positive  
14 effect on the marketplace, and so we just can't look at  
15 the ob -- absolute costs and decide whether or not the  
16 program has been a success or failure.  We have to look  
17 at the marketplace and make -- and come to a conclusion  
18 on that basis.

19                   THE CHAIRPERSON:    Thank you.  One (1)  
20 other question, I guess.  With respect to the February  
21 1st/March 11th offering, which concluded apparently on  
22 March the 11th, if you had hedged 64,730 gigajoules,  
23 potentially, I'm just asking, I imagine the Corporation  
24 could offset that in the derivative market if it chose,  
25 could it not?

1                   MR. LLOYD KUCZEK:    Yeah, there's a couple  
2 options.  One (1) -- one (1) is you can -- you can buy  
3 your way out of those hedges and pay the price at that  
4 point.  The other option would be to continue to market  
5 the products, but change the -- we -- we'd have to apply  
6 for a change in how we do this, but instead of one (1)  
7 year you can offer eleven (11) months of products and  
8 stuff like that.

9                   But there are -- there are a couple  
10 options that we need to consider for addressing the  
11 unhedged volumes.

12                  THE CHAIRPERSON:    Is there anything in  
13 the policies that have been approved by the Board that  
14 limit your ability to take alternate steps to reduce your  
15 long-term liability?

16                  MR. GREG BARNLUND:    I believe we're under  
17 fairly limited jur -- ability right now to -- to have  
18 that flexibility, short of bring a proposal before this  
19 Board to modify how we would be marketing these products.

20                  THE CHAIRPERSON:    I think that's probably  
21 something that should be considered.

22                  MR. GREG BARNLUND:    Thank you.

23                  THE CHAIRPERSON:    Okay.  We'll take the  
24 break now.  Thank you.

25

1 --- Upon recessing at 10:34 a.m.

2 --- Upon resuming at 10:53 a.m.

3

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

5

6 CONTINUED BY MR. BOB PETERS:

7 MR. BOB PETERS: Yes, thank you, sir.

8 I'd like to turn to the panel to the furnace replacement  
9 program that Mr. Kuczek mentioned in his direct evidence  
10 to Ms. Murphy. And this program was enabled back in the  
11 GRA order from '99, Order Number 99/07, Mr. Kuczek?

12 MR. LLOYD KUCZEK: Correct.

13 MR. BOB PETERS: And there was funding of  
14 about \$6.1 million over the first two (2) fiscal years?

15 MR. LLOYD KUCZEK: Correct.

16 MR. BOB PETERS: And as a result of Board  
17 Order 128/09, the funding for the Furnace Replacement  
18 Program continues at \$3.8 million a year out of the SGS  
19 class?

20 MR. LLOYD KUCZEK: Correct.

21 MR. BOB PETERS: At Tab 20 of the book of  
22 documents, Mr. Chairman and panel members, there's a --  
23 excuse me, there's a number of documents and PUB/CENTRA-  
24 42. And then following that is a letter, dated February  
25 19th, from Manitoba Hydro.

1 I'd like to turn to page -- it's page 1 of  
2 6 at the top of the letter. It's part of attachment 2 to  
3 the -- to the Information Request. It's page 1 of 6 at  
4 the top right, and the bottom right it's page 2 of 7, so  
5 I'm not sure how we're going to find it, but it's the  
6 second page of the letter, and it's a reporting item.  
7 You've located that, Mr. Kuczek?

8 MR. LLOYD KUCZEK: Yes.

9 MR. BOB PETERS: What it's telling the  
10 Board on the bottom part of the page is that Centra is  
11 sitting on the \$6.1 million that you told me about, and -  
12 - and only you spent seven hundred and thirty-nine  
13 thousand dollars (\$739,000) as of the date of this  
14 report?

15 MR. LLOYD KUCZEK: Correct.

16 MR. BOB PETERS: And since -- if we -- if  
17 I do the math correctly, the \$6.1 million that was  
18 provided in the Board orders, less the disbursements or  
19 the expenditures, your net position was about \$5.538  
20 million, you'd agree?

21 MR. LLOYD KUCZEK: Correct.

22 MR. BOB PETERS: And in addition to the  
23 \$5.5 million that came from the first Board order, you're  
24 also getting \$3.8 million for your fiscal 2010?

25 MR. LLOYD KUCZEK: Correct.

1                   MR. BOB PETERS:    And you're getting \$3.8  
2 million for fiscal 2011?

3                   MR. LLOYD KUCZEK:    Correct.

4                   MR. BOB PETERS:    And that'll bring the  
5 total, to my -- in my math, to about \$13.1 million?

6

7                                   (BRIEF PAUSE)

8

9                   MR. BOB PETERS:    I was just adding the  
10 three point eight (3.8) for each of those two (2) years  
11 to the \$5.5 million.

12                   THE CHAIRPERSON:    Plus accrued interest,  
13 Mr. Peters.

14

15 CONTINUED BY MR. BOB PETERS:

16                   MR. BOB PETERS:    All right.  The Chairman  
17 mentions accrued interest, but there's also disbursements  
18 that I haven't deducted from the total.

19                   MR. LLOYD KUCZEK:    That would be correct.

20                   MR. BOB PETERS:    All right.

21                   MR. VINCE WARDEN:    Sorry, Mr. Peters.  I  
22 wonder if we could just clarify.  Your -- the -- for two  
23 thou -- the five nine seven two (5972) that is shown on  
24 the page you referenced includes the funding from the  
25 previous year though, correct?  So we would have -- the



1 five nine seven two (5972) includes the three eight five  
2 five (3855) from...

3 MR. BOB PETERS: Sorry, Mr. Warden, I --  
4 I've -- I've confused -- I see -- I'd like to look at the  
5 bottom of -- of that page. Let's not look at the top for  
6 now.

7 MR. VINCE WARDEN: Sorry, maybe -- maybe  
8 I'm confused. Carry on and I'll jump in if I have to.

9 MR. BOB PETERS: Yeah. No, please do.  
10 You're -- you're minding the chequebook. The \$6.1  
11 million, Mr. Warden, on the bottom part of that page, I  
12 suggested that that has come to Centra as a result of  
13 rates from the PUB Order 99/07, and I think Ms. Derksen  
14 agreed with me.

15 MS. KELLY DERKSEN: Well, I didn't agree,  
16 but I will, yes.

17 MR. BOB PETERS: Oh, you will agree, all  
18 right. And so in addition to that \$6.1 million, the  
19 Order 128/09 has approved \$3.8 million for fiscal 2010,  
20 and another three point eight (3.8) for fiscal 2011.  
21 We're all on the same page?

22 MR. LLOYD KUCZEK: We are.

23 MR. BOB PETERS: And -- and in  
24 correctness to Mr. Warden and Mr. Kuczek, there's been  
25 disbursements or expenditures of seven hundred and

1 thirty-nine thousand dollars (\$739,000), so I'm saying  
2 that you're -- you're sitting on a fund, exclusive of  
3 interest, of about \$13.1 million on paper, although not  
4 all the money has yet been realized, but it's been  
5 approved by this Board?

6 MR. GREG BARNLUND: I just want to maybe  
7 leap in here, Mr. Peters, because this is a report as of  
8 September 30th, 2009, so the \$3.8 million that was  
9 approved in the Board order may not be fully reflected in  
10 this. It's recovered volumetrically and there will be  
11 some accounting adjustments to reflect the recoveries  
12 over the winter period reflective of the fact that this  
13 order was received September 16th.

14 So -- so I -- I don't necessarily agree  
15 that we're talking about \$13 million here. The account  
16 balance at September 30th of 2009 was 5.5 million, and  
17 there will be further inflows to that, you know, through  
18 the course of the next reporting period as we -- as we'll  
19 see in the next semiannual report.

20 MR. BOB PETERS: Thank you for that  
21 clarification, Mr. Barnlund. And I'll have to go back  
22 and reread, I have to confess, Board Order 128/09, but I  
23 don't think the -- the most recent awards were weather  
24 related. They were absolute numbers, not -- not tied to  
25 --

1                   MR. GREG BARNLUND:    And I'm just simply  
2    stating that the accounting mechanism that we use, we do  
3    recover those from the SGS customer class, that -- that  
4    the large -- or the majority of those recoveries will  
5    actually occur.  The funding will flow to this account  
6    more through the winter months than it would through the  
7    summer months.

8                   MR. BOB PETERS:    All right.  And, as --  
9    as the note says here, there's going to be another report  
10   provided, and when that other -- when the next report is  
11   provided, we'll see how those monies are reflected.

12                  MR. GREG BARNLUND:    Yes, and the  
13   disbursements for the next six (6) month period would be  
14   reflected obviously in that report, as well.

15                  MR. BOB PETERS:    All right.  Based on  
16   what we're looking at here in terms of the second page of  
17   the February 19th letter, there were five hundred and  
18   thirty (530) new high-efficiency furnaces at that time.  
19   We can agree on that?

20                  MR. LLOYD KUCZEK:    Yes.

21                  MR. BOB PETERS:    And those furnaces  
22   resulted in homeowners contributing nineteen dollars  
23   (\$19) a month for sixty (60) months, that's the plan, Mr.  
24   Kuczek?

25                  MR. LLOYD KUCZEK:    Correct.

1                   MR. BOB PETERS:    And in addition to that,  
2 for those, there was a federal government contribution of  
3 about seven hundred and ninety dollars (\$790) for the  
4 furnace?

5                   MR. LLOYD KUCZEK:    There were some  
6 qualifications on the -- on the grants that you got from  
7 the Federal Government but let -- for argument's sake,  
8 generally that's the number.

9                   MR. BOB PETERS:    And so the balance had  
10 to be picked up and paid for by Centra out of the funds  
11 for this program?

12                  MR. LLOYD KUCZEK:    That's correct.

13                  MR. BOB PETERS:    And simply doing the  
14 math, that put Centra's costs of about fourteen hundred  
15 dollars (\$1,400) per furnace, ballpark?

16                  MR. LLOYD KUCZEK:    Ballpark.

17                  MR. BOB PETERS:    Okay.  You've indicated  
18 to the Board that marketing efforts are yielding higher  
19 results, correct, Mr. Kuczek?

20                  MR. LLOYD KUCZEK:    Correct.

21                  MR. BOB PETERS:    And that, instead of the  
22 five hundred and thirty (530) furnaces that I referred to  
23 in my second last question, there's actually been now, I  
24 believe, closer to eight hundred (800) furnaces installed  
25 since August of 2008?

1 MR. LLOYD KUCZEK: Correct.

2 MR. BOB PETERS: And you're forecasting  
3 for the Board to ramp that up to do eleven hundred  
4 (1,100) in 2011?

5 MR. LLOYD KUCZEK: In the current fiscal  
6 year, which ends March 31st, 2011, yes.

7 MR. BOB PETERS: All right, starting from  
8 two (2) weeks ago until eleven and a half (11 1/2) months  
9 from now, you hope to put in one thousand one hundred  
10 (1,100) new furnaces under this program?

11 MR. LLOYD KUCZEK: Correct.

12 MR. BOB PETERS: Is that as a result of  
13 increased marketing efforts?

14 MR. LLOYD KUCZEK: I -- I would suggest  
15 it is. The programs -- program has been ramping up, and  
16 as part of that, the word's getting out, and we certainly  
17 are planning to, as we filed, be more aggressive in terms  
18 of marketing the program to our customers.

19 MR. BOB PETERS: Does Centra have enough  
20 money in the furnace replacement fund to carry out all of  
21 its efforts that it wants to with respect to furnace  
22 replacements for certainly the next fiscal -- the current  
23 fiscal year we're in?

24 MR. LLOYD KUCZEK: Certainly into the  
25 next fiscal year, yes.

1 MR. BOB PETERS: And beyond?

2 MR. LLOYD KUCZEK: Well, that becomes a  
3 difficult question now, because there's a number of  
4 considerations that I think have to come into play before  
5 I can answer that question.

6 MR. BOB PETERS: And you -- Mr. Barnlund  
7 wouldn't agree with my adding up the bank account, but  
8 when the Board approved \$3.8 million, you haven't come  
9 close to expending that in -- in a fiscal year on the  
10 furnace replacement program, and you won't spend that on  
11 eleven hundred (1,100) furnaces, would you?

12 MR. LLOYD KUCZEK: Could you repeat that?  
13 I'm sorry.

14 MR. BOB PETERS: Let me try it this way:  
15 If Centra's cost under the furnace replacement program is  
16 ballpark fourteen hundred dollars (\$1,400) per furnace,  
17 that money is coming out of the furnace replacement fund,  
18 correct?

19 MR. LLOYD KUCZEK: Correct.

20 MR. BOB PETERS: Now with the Federal  
21 Government making what I expect was an unexpected  
22 announcement that it was cancelling the ecoENERGY  
23 program, that seven hundred and ninety dollars (\$790)  
24 that the Federal Government was -- was kicking into the  
25 program, that's going to also have to be funded now by

1 the furnace replacement program?

2 MR. LLOYD KUCZEK: Well, that decision  
3 hasn't been made, actually.

4 MR. BOB PETERS: All right. What other  
5 options are there other than the -- other than Centra  
6 funding it?

7 MR. LLOYD KUCZEK: Another option would  
8 be for us to recover more money from the customer.

9 MR. BOB PETERS: Is there any other  
10 option?

11 MR. LLOYD KUCZEK: Well, the Federal  
12 Government could come out with a -- a lower income  
13 program, but we -- we don't have high hopes. We did have  
14 high hopes that they would be coming out with something,  
15 but -- and then the other alternative would be the  
16 Provincial Government, but in both cases -- and I think  
17 we all know that today the governments' current fisc --  
18 fiscal situations aren't the best because of the  
19 recession and the stimulus packages that they offered or  
20 put in place during this last year.

21 MR. BOB PETERS: Would it be correct to  
22 say, Mr. Kuczek, that there are many lower income  
23 customers who are presently balking or refusing to pay  
24 the extra nineteen dollars (\$19) a month to get a new  
25 high efficiency furnace replacement?

1                   MR. LLOYD KUCZEK:    No, I -- I don't think  
2 we're having customers complaining about the nineteen  
3 dollars (\$19) at all.

4                   MR. BOB PETERS:    So the suggestion in  
5 your second last answer is that they may be prepared to  
6 pay more than that, and that may be where the seven  
7 hundred and ninety dollar (\$790) shortfall is -- is  
8 funded?

9                   MR. LLOYD KUCZEK:    Yeah. You know, where  
10 -- where we're at today is we -- we launched the program  
11 at nineteen dollars (\$19) a month for five (5) years. We  
12 had planned to run the program to March 31st, 2011, when  
13 the ecoENERGY Program was going to end. And we -- we  
14 thought we would recess it at -- or reassess it at that  
15 point.

16                               We are currently in the process of re --  
17 reassessing what we should do on a go-forward basis given  
18 the change that has happened with the ecoENERGY Program.  
19 And we need to take into account a number of  
20 considerations, including those that were identified in  
21 Board Order 99/07 with regards to subsidising and some of  
22 the other issues that were mentioned, such as the  
23 environmental concerns, and the ability for the customer  
24 to pay as opposed to finance, and decide how to move  
25 forward.



1                   The other thing we need to take into  
2 account, which has been very useful, is the -- the market  
3 that falls within the LICO -- LICO and LICO-125 market,  
4 and I think I mentioned that in my direct that we think  
5 the number of furnaces there are twenty-two thousand  
6 (22,000) -- twenty-two thousand (22,000) for LICO-125  
7 and, if I didn't say it in my direct, it's about fifteen  
8 thousand (15,000) for LICO.

9                   So we have to take that into account, and  
10 the amount of dollars that would be required to fund  
11 running this program at nineteen dollars (\$19) for five  
12 (5) years if we were to do aggressive marketing and had  
13 everybody lined up at our door to participate in that  
14 program, we would need something like \$33 million in the  
15 furnace program.

16                   And if we extended the -- or made up the  
17 difference that the Federal Government didn't come up  
18 with, we'd need something like \$50 million, I believe the  
19 number is. So it's substantial dollars to run that  
20 program.

21                   So -- and then the final point I'd like to  
22 make is that we think we need a longer term plan given  
23 all these conditions on a go-forward basis, and we need  
24 to come up with that and make a decision fairly soon,  
25 because we need the program to continue as we go forward.

1                   MR. BOB PETERS:    All right.  And then  
2 answer the next question as to when is that longer term  
3 plan going to be available to be reviewed by this Board?

4                   MR. LLOYD KUCZEK:    We're hoping to make a  
5 decision within a month, certainly within our  
6 organization and what we think is the best approach to  
7 take forward, and possibly earlier, but no -- no more  
8 than that.

9                   MR. BOB PETERS:    You can confirm to this  
10 Board today, Mr. Kuczek, that in terms of funding for the  
11 furnace replacement program, at least for the foreseeable  
12 future, and I'll call that until the Corporation comes in  
13 for a further general rate application, you don't see any  
14 funding restrictions based on the monies that are  
15 presently available?

16                  MR. LLOYD KUCZEK:    No, I don't see any  
17 funding problems unless we spent enough dollars to make a  
18 significant number of customers aware of this and they  
19 were lined up outside our door and wanted to sign up  
20 tomorrow, and we'd have to replace a significant number  
21 of furnaces in the next year.

22                  MR. BOB PETERS:    When you talked about  
23 twenty-two thousand (22,000) LICO plus 125, I assumed  
24 that that number included those that were just at LICO?

25                  MR. LLOYD KUCZEK:    Correct.

1                   MR. BOB PETERS:    So there are twenty-two  
2 thousand (22,000) homes in Centra's franchise service  
3 territories that are at the low income cutoff plus one  
4 hundred and twenty-five (125) -- or plus 25 percent that  
5 have 60 percent efficiency furnaces that should be  
6 replaced under this program?

7                   MR. LLOYD KUCZEK:    Certainly that we  
8 would like replaced, yes.

9                   MR. BOB PETERS:    And in terms of the  
10 total demographic study, I know in Board Order 128/09 the  
11 Board was hoping that there would be a -- a new  
12 demographic study. And that you say, has been conducted?  
13 There's been a 2009 residential survey?

14                  MR. LLOYD KUCZEK:    Correct.

15                  MR. BOB PETERS:    And what is the -- the  
16 new total number of homes identified, residential  
17 properties, that are LICO plus twenty-five (25), that are  
18 under that -- that line of 125 percent of LICO, if that's  
19 the right way to say it?

20                  MR. LLOYD KUCZEK:    That number, excluding  
21 apartments, but if we include single detached, multiplex,  
22 row housing and mobile homes, is eighty-two thousand  
23 (82,000).

24                  MR. BOB PETERS:    Isn't that actually down  
25 from the estimate you gave the Board previously of ninety

1 thousand dollars (\$90,000) for -- ninety thousand  
2 (90,000) homes for residential consumers?

3 THE CHAIRPERSON: I think the ninety  
4 thousand (90,000) included apartments.

5 MR. BOB PETERS: Perhaps.

6 THE CHAIRPERSON: I think it was ninety-  
7 three thousand (93,000).

8 MR. LLOYD KUCZEK: Yeah, the ninety-three  
9 (93) was including apartments and so, at that time, we  
10 had estimates of seventeen thousand (17,000) for  
11 apartments -- apartments, so the equivalent number would  
12 be, doing my math, seventy-six thousand (76,000), I  
13 guess.

14

15 CONTINUED BY MR. PETERS:

16 MR. BOB PETERS: Mr. Kuczek, rather than  
17 talk numbers right now on the record, are you prepared to  
18 file the results of that 2009 residential survey?

19 MR. LLOYD KUCZEK: Very shortly.

20 MR. BOB PETERS: All right. And can I  
21 pin you to a date?

22 MR. LLOYD KUCZEK: Well, if you're going  
23 to pin me I'm going to go out too far and you're not  
24 going to like that date. Where we're at right now is, my  
25 staff have provided me with a draft report and I've asked

1 them to provide a little more information and they're  
2 currently working on that right now. And I would suggest  
3 we have to have some internal reviews so we -- we should  
4 be able to file it within a month. But the numbers are  
5 there.

6 I wanted to break it down so that you have  
7 information and I'm interested in it, as well,  
8 information more pertaining to the -- the different  
9 specifics within the report with the customer breakdown  
10 between LICO, LICO 125 and the market that's in between  
11 LICO and LICO 125. And the reason for that is, is so  
12 that we all think about whether or not we should be  
13 offering the same thing to that customer group.

14 MR. BOB PETERS: You'd mentioned in --  
15 I'm sorry.

16

17 (BRIEF PAUSE)

18

19 MR. BOB PETERS: Mr. Kuczek, are you  
20 waiting for me?

21 MR. LLOYD KUCZEK: Well, Mr. Barnlund  
22 suggested that I make sure that everybody is clear that  
23 the numbers we're talking about for the customer base are  
24 both electric and natural gas customers and that when I'm  
25 talking about the furnaces it's obviously natural gas

1 furnaces.

2 MR. BOB PETERS: Right. But when you  
3 identify -- when you identify eighty-two thousand  
4 (82,000) LICO 125 residential customers in your -- in  
5 your franchise territory, virtually all of those are  
6 using natural gas for space heat?

7 MR. LLOYD KUCZEK: I'd have to go look at  
8 that draft report to answer that question, but we do --  
9 we do know a number of customers use natural gas for heat  
10 but it wouldn't -- it wouldn't be all of them, There's  
11 customers up north, customers in apartments, a lot of  
12 them don't use natural gas; some of them have baseboard  
13 heaters. And so we -- I would be a little careful with  
14 that.

15 MR. BOB PETERS: All right. I have your  
16 point and we'll await the report.

17 In terms of the Federal Government  
18 ecoENERGY Program that you indicated to Ms. Murphy has  
19 been discontinued, the Federal Government stopped funding  
20 new applications on March 31 of 2010.

21 Isn't that correct?

22 MR. LLOYD KUCZEK: Correct.

23 MR. BOB PETERS: But they've said their  
24 money is available up until March 31 of 2011 if you've  
25 already applied for an audit to be done of your house?

1 MR. LLOYD KUCZEK: Correct.

2 MR. BOB PETERS: And so any new -- any  
3 new applications that are coming in won't now have the  
4 benefit of the Federal ecoENERGY Program attached to  
5 them; is that correct?

6 MR. LLOYD KUCZEK: That's correct.

7 MR. BOB PETERS: But you expect all those  
8 -- of those eleven hundred (1,100) that you -- you  
9 forecast for the current fiscal year, are most of those  
10 under the, and including the Federal ecoENERGY Program?

11 MR. LLOYD KUCZEK: Most of them would be  
12 excluding.

13 MR. BOB PETERS: Excluding?

14 MR. LLOYD KUCZEK: Excluding.

15 MR. BOB PETERS: Yes, thank you. But you  
16 can confirm to this Board that the discontinuation of the  
17 seven hundred and ninety dollar (\$790) rebate from the  
18 Federal Government does not impact the low income  
19 consumer under the furnace replacement program?

20 MR. LLOYD KUCZEK: I don't think I said  
21 that, did I?

22 MR. BOB PETERS: No, I asked if you can  
23 confirm that.

24 MR. LLOYD KUCZEK: Well, we haven't  
25 decided how we're going to modify or if we're going to

1 modify the program. So it could impact the consumer.

2 MR. BOB PETERS: We have to wait a month  
3 see what your final report says?

4 MR. LLOYD KUCZEK: Yeah. You know, I --  
5 I'd just throw out something for you to think about,  
6 though, but what we've experienced is that the nineteen  
7 dollars (\$19) doesn't seem to be a problem for the  
8 consumer to enrol with the program.

9 One of the possible options that we could  
10 consider is just, instead of the consumer paying nineteen  
11 dollars (\$19) for five (5) years, is have the consumer  
12 pay nineteen dollars (\$19) for a longer period of time to  
13 make up that difference. And so -- so that's one (1) of  
14 the considerations.

15 And the other thing, of course, we need to  
16 think about is the -- the cross-subsidization discussion  
17 that was in the order in '07, as well, and it -- it did  
18 provide us with some direction in terms of what the Board  
19 thought was reasonable. And -- and I think at that point  
20 the term used, a modest amount of subsidization, was  
21 appropriate, and there was -- there was various reasons  
22 provided with that. And so we're looking at what those  
23 reasons are and trying to assess, in the context of that  
24 input, what makes sense going forward.

25 Part of that was -- is the percentage that



1 we're having -- that we're spending on our low income  
2 market sector relative to our entire DSM program. And  
3 just to give you a little bit of information on that, we  
4 are now spending a substantial amount of money, and more  
5 than the portion of low income customers that exist, on  
6 low income customers.

7           The statement was valid, and I think one  
8 of the Intervenors argued that we should be spending  
9 possibly, or allocating, 14 percent or some number like  
10 that at one point towards low income customers, but if  
11 you take our entire gas DSM expenditures and budget to  
12 the end of this current fiscal year, we will be spending  
13 somewhere around thirty-one (31) or 32 percent, and on a  
14 -- on the last-year basis, we're up at 60 some percent of  
15 our expenditures going towards that customer group. So  
16 it's starting to become substantial.

17           MR. BOB PETERS: But that customer group,  
18 in and of itself, is substantial. It's at least 40  
19 percent of your customer base.

20           MR. LLOYD KUCZEK: No, the LICO 125  
21 percent is about 22 percent of the customer base in the  
22 natural gas side, I believe.

23           MR. BOB PETERS: Okay. I'm not sure I  
24 compute those numbers, Mr. Kuczek. Are you -- are you  
25 looking at the total eighty thousand (80,000) -- eighty

1 thousand (80,000) LICO 125 compared to your residential  
2 customers of about two hundred and forty-five thousand  
3 (245,000)?

4 MR. LLOYD KUCZEK: No. The eighty (80)  
5 is on the electric and natural gas customers base.

6 MR. BOB PETERS: Okay. I've got your  
7 point.

8

9 (BRIEF PAUSE)

10

11 MR. BOB PETERS: The report that you're  
12 hoping to file with the Board in approximately a month  
13 will have a breakdown between the electric and gas?

14 MR. LLOYD KUCZEK: Yeah, it -- it  
15 certainly will.

16 MR. BOB PETERS: I'd like to turn to the  
17 Affordable Energy Program, and in Board Order 128/09, Mr.  
18 Kuczek, the Board directed Centra to develop a marketing  
19 and promotional plan for the revised Low Income Energy  
20 Efficiency Program. Do you recall that?

21 MR. LLOYD KUCZEK: Yes.

22 MR. BOB PETERS: And the Affordable  
23 Energy Program is now the new -- I'll call it an umbrella  
24 program over many lower income and energy efficiency  
25 programs?

1 MR. LLOYD KUCZEK: Correct.

2 MR. BOB PETERS: At Tab 21 of the book of  
3 documents is a response to PUB/CENTRA-48, and the fourth  
4 page in is actually the second page of a letter, dated  
5 February the 3rd, from the Corporation, and it has a  
6 chart on the bottom third of the page. Have you located  
7 that?

8 MR. LLOYD KUCZEK: I have.

9 MR. BOB PETERS: When I look at the  
10 Affordable Energy Program chart and underneath it there  
11 are -- there are the various programs that are now  
12 enveloped or under this umbrella, correct?

13 MR. LLOYD KUCZEK: Correct.

14 MR. BOB PETERS: And there's NHN,  
15 standing for Neighbours Helping Neighbours?

16 MR. LLOYD KUCZEK: Yes.

17 MR. BOB PETERS: Bill Management  
18 Services, and then the Low Income Energy Efficiency  
19 Program?

20 MR. LLOYD KUCZEK: Correct.

21 MR. BOB PETERS: And one (1) of the  
22 components of the Low Income Energy Efficiency Program  
23 we've already talked about, and that was the Furnace  
24 Replacement Program?

25 MR. LLOYD KUCZEK: Correct.

1                   MR. BOB PETERS:   How is it that Centra  
2 concludes the Affordable Energy Program will be more  
3 effective than the other programs that it offered and  
4 told the Board about at the GRA ten (10) months ago?

5

6                                   (BRIEF PAUSE)

7

8                   MR. LLOYD KUCZEK:   Well, I guess one (1)  
9 of the things that we're -- well, there's a few different  
10 elements to it, but we've enhanced the various components  
11 of the program, and, you know, not -- not necessarily  
12 significant enhancements, but we have put in a couple of  
13 changes to the Neighbours Helping Neighbours Program  
14 whereby the customer can actually apply more than once.  
15 And the amount of the grant has increased from three  
16 hundred (300) to -- to four fifty (450).

17                                   And along with that, we're hoping to  
18 increase our awareness education component related to  
19 that program so more customers are familiar with the  
20 program.

21                                   In terms of the bill management pro --  
22 services, we made an adjustment to try to accommodate  
23 customers there in terms of picking a date that's more  
24 suitable to when their cashflows come into their  
25 household so that they can make these payments easier.

1                   And the most important part that we think  
2 that's going to make this successful is the Lower Income  
3 Energy Efficiency Program, which includes, in my mind,  
4 both the furnace and the insulation measures, because  
5 those end up being more sustainable in the long term.

6                   MR. BOB PETERS:    Thank you.  You didn't  
7 mention, Mr. Kuczek, any bill assistance program.  And  
8 would it be correct that that isn't in Centra's plans?

9

10   (BRIEF PAUSE)

11

12                   MR. LLOYD KUCZEK:    Can you repeat the  
13 question, sir?

14                   MR. BOB PETERS:    When I looked at the --  
15 if -- if we go back to that page 2 of 17 of the  
16 attachment to PUB/CENTRA-48(a), there is a bill  
17 management services.  And I think at the GRA you've  
18 testified and -- and told the Board about the various  
19 sub-components of that.

20                   But missing from that, if my recollection  
21 is correct, there was no bill assistance plan where there  
22 would be perhaps a lower rate for low income identified  
23 customers.

24                   MR. LLOYD KUCZEK:    That component is not  
25 included in -- in our bill pay -- or management services

1 or a component of it, no.

2 MR. BOB PETERS: And there's no plan to  
3 include one.

4 MR. LLOYD KUCZEK: No.

5 MR. BOB PETERS: Why have you concluded  
6 that a Bill Assistance Program as opposed to a bill  
7 management service would -- would not be needed?

8

9 (BRIEF PAUSE)

10

11 MR. GREG BARNLUND: Sorry, Mr. Peters,  
12 could you repeat the question, please?

13 MR. BOB PETERS: Would the Board  
14 understand correctly that Centra is not considering a low  
15 income rate program?

16 MR. GREG BARNLUND: There is no  
17 consideration of that program at this time by Centra.

18 MR. BOB PETERS: Is there any such  
19 consideration on the other side of the Corporation for  
20 such a program for electrical customers?

21 MR. VINCE WARDEN: No, Mr. Peters. I  
22 think the closest we came to that was a reduction in the  
23 basic monthly charge with our last Application, or -- or  
24 a proposed reduction of the basic monthly charge, which  
25 was not accepted by this Board.

1                   MR. BOB PETERS:    That was on an interim  
2 basis too though, Mr. Warden.  You'll acknowledge that  
3 that proposal for a lower basic monthly charge was  
4 proposed as part of a 2.9 percent increase on the  
5 electric side on an interim basis?

6                   MR. VINCE WARDEN:    That's correct, yes.

7                   MR. BOB PETERS:    Okay.  So that issue  
8 hasn't been fully vetted before the Board?

9                   MR. VINCE WARDEN:    You're right.

10                  MR. BOB PETERS:    Can Centra confirm that  
11 a lack of funds is not a barrier to the various programs  
12 that it is offering under the Affordable Energy Program?

13                  MR. LLOYD KUCZEK:    I can confirm that,  
14 yes.

15                  MR. BOB PETERS:    That's because you've  
16 already told us about the Furnace Replacement Program,  
17 but there's also the affordable energy fund that was set  
18 up by, I think, Bill 11, where, of the \$35 million total,  
19 19 million was set aside, or earmarked, if that's the  
20 right word, for the lower income energy consumer?

21                  MR. LLOYD KUCZEK:    Yeah, let -- let me  
22 correct my statement.  Funds to support the -- those  
23 programs are limited, and so there is a limiting factor  
24 in terms of us cleaning up the market completely, and  
25 that's assuming you could get everybody to participate,

1 which is not realistic, and we should be clear about  
2 that, as well.

3

4

(BRIEF PAUSE)

5

6 THE CHAIRPERSON: While Mr. Peters is  
7 sorting through his papers, just a couple of questions on  
8 the Neighbours Helping Neighbours. There's been quite a  
9 -- there's been some changes to that program. If I  
10 recall, several years ago when it first came in there was  
11 a initial contribution, I believe, to Manitoba Hydro to  
12 the Salvation Army to get it going and that was it.

13 But now you're actually -- are you --  
14 you're -- you're contributing money on an annual basis to  
15 this program, is that not correct?

16 MR. LLOYD KUCZEK: That's correct.

17 THE CHAIRPERSON: The other thing that I  
18 was wondering about is I -- or my understanding is is  
19 social assistance programs of the province on occasion  
20 can pay bills of low working households. Is there any  
21 referrals involved in your plan over to the government  
22 social assistance?

23 MR. LLOYD KUCZEK: That's part of our  
24 current processes in place today, and -- as well as the  
25 Neighbours Helping Neighbours. And the Neighbours



1 Helping Neighbours Program is administered and operated  
2 through the Salv -- Salvation Army and they are -- they  
3 refer all those customers to the social programs. And  
4 our staff as well, whenever they think it's appropriate,  
5 refer our customers to the programs -- the social pro...

6 THE CHAIRPERSON: Are you aware of the  
7 social assistance paying any percentage of bills on a  
8 going -- on a going-forward basis, other than just once?

9 MR. LLOYD KUCZEK: I'm not that familiar  
10 with how the social assistance programs work.

11

12 (BRIEF PAUSE)

13

14 MS. KELLY DERKSEN: If I might just add  
15 to what Mr. Kuczek said. I am aware that social -- the  
16 social services group pays bills on behalf of customers  
17 on a monthly basis, dependant on, I guess the criteria  
18 that's been established between the financial means of  
19 the -- the consumer and the social services group.

20 So, that's been in place for many, many  
21 years that I'm -- that I'm aware of.

22 THE CHAIRPERSON: You don't know the  
23 quantum though? The number of families. The total  
24 amount spent?

25 MS. KELLY DERKSEN: We would have to

1 undertake to do that, Mr. Chair.

2 THE CHAIRPERSON: Would you mind?

3 MS. KELLY DERKSEN: We will do that.

4 THE CHAIRPERSON: Thank you.

5

6 --- UNDERTAKING NO. 7: Centra to indicate the number  
7 of families for which the  
8 bills are paid directly by  
9 social services to Hydro

10

11 MR. LLOYD KUCZEK: But just to add to  
12 that so that everyone's aware, but the -- as -- as we  
13 understand it, the social assistance programs have two  
14 (2) methods. One (1) is one (1) where they pay the bills  
15 directly to us. and the other is where they give the  
16 money, which is supposed to be sufficient to cover all  
17 the needs for the customer, the basic needs. And they  
18 provide that money to the -- the customer, and the  
19 customer pays the bills.

20 MR. BOB PETERS: Thank you --

21 MS. MARLA MURPHY: Just to round that out  
22 -- sorry, we'll -- the number that we'll be providing you  
23 will be the number of families for which the bills are  
24 paid directly by social services to Hydro.

25

1 CONTINUED BY MR. BOB PETERS:

2 MR. BOB PETERS: Ms. Derksen, let's take  
3 a few minutes to talk about a couple of matters that you  
4 can assist the Board on. In your comments to Ms. Murphy  
5 earlier this morning, you gave a -- a bit of a brief  
6 explanation as to how you implemented Order 128 of '09.

7 Do you recall that?

8 MS. KELLY DERKSEN: Yes, I do.

9 MR. BOB PETERS: And the net result of  
10 Order 128 of '09 was that Centra's net income would be  
11 forecasted to be \$2.4 million according to the  
12 Corporation's schedule; I think it was 3.1.0.

13 Do you recall that?

14 MS. KELLY DERKSEN: I do, yes.

15 MR. BOB PETERS: And it wasn't three  
16 hundred thousand (300,000) -- or sorry, it wasn't \$3  
17 million of net income; it was closer to 2.4 million. And  
18 that was as a result of the Board fixing the basic  
19 monthly charge increases to a -- to a -- to the nearest  
20 dollar amount?

21 MS. KELLY DERKSEN: I guess I'll phrase  
22 it in my own way and we'll see if we can come to an  
23 agreement here, Mr. Peters. The \$2.4 million that we  
24 anticipate to be reflective of the net income in -- in  
25 the test year in question, the '10/'11 test year in

1 question, has to do with the fact that we have kept the  
2 SGS and LGS customer rates from a non-gas revenue  
3 perspective unchanged from those approved in the '08/'09  
4 test year.

5                   The only increase to those customer  
6 classes is coming way through an increase in the basic  
7 monthly charge.

8                   MR. BOB PETERS:    Okay, I think we are  
9 agreeing, and the net result is that net income for the  
10 Corporation goes down to \$2.4 million approximately?

11                   MS. KELLY DERKSEN:    Yes.

12                   MR. BOB PETERS:    When you did the cost  
13 allocation for the Corporation, Ms. Derksen, you ran  
14 through \$3.0 million of net income rather than 2.4  
15 million, did you not?

16                   MS. KELLY DERKSEN:    Yes.

17                   MR. BOB PETERS:    And as a result of doing  
18 that, the revenue-to-cost ratios of the various customer  
19 classes, they're not all at unity or one point zero (1.0)  
20 anymore, are they?

21                   MS. KELLY DERKSEN:    Correct. I really  
22 see that there's two (2) issues here. One (1) is the  
23 fact that rates are no longer at unity for the SGS and  
24 LGS class, which means the revenues aren't sufficient to  
25 recover the costs and hence we have the ultimate impact

1 of that is -- is having a lower net income forecast.

2                   The second piece of it is -- which is --  
3 works in concert, I suppose you could look at it that  
4 way, that we are no longer recovering the revenue  
5 requirement that has been approved by the Public  
6 Utilities Board by virtue of 128/09.

7                   MR. BOB PETERS: Did you use the \$3  
8 million net income to calculate the rates for the high  
9 volume firm, the main line, the interruptible, the power  
10 station and the special customer class?

11                   MS. KELLY DERKSEN: Yes, I did.

12                   MR. BOB PETERS: And even if you would  
13 have used -- the result of doing that is those rates  
14 stayed at unity?

15                   MS. KELLY DERKSEN: Correct.

16                   MR. BOB PETERS: But they would have  
17 stayed at unity had you used \$2.4 million, as well, would  
18 they not?

19

20                   (BRIEF PAUSE)

21

22                   MS. KELLY DERKSEN: The answer to your  
23 question is yes. Any -- any level of net income that you  
24 flow through the cost allocation study, as long as that's  
25 what you're anticipating or that's been approved to be

1 recovered through your revenue requirement, you can  
2 maintain or keep rates at unity. So, yes, the -- that's  
3 the answer to your question.

4 MR. BOB PETERS: And now with the SGS  
5 class and the LGS class not at unity and the other  
6 classes at unity, there's a possible impact at the next  
7 General Rate Application and that if -- if Centra's May  
8 1st, 2010, non-gas cost rates are approved, and that is  
9 to get the SGS class and the LGS class back to unity,  
10 their rate increase will have to be higher than the  
11 average rate increase being sought by Centra?

12 MS. KELLY DERKSEN: Yes, sir, yes.

13 MR. BOB PETERS: Is that -- was that done  
14 intentionally, Ms. Derksen, or was that just a fallout of  
15 the -- of the way the cost allocation was done?

16 MS. KELLY DERKSEN: Can you explain to me  
17 exactly what you mean? Because we're just reflecting a  
18 directive from the Board and so I -- I'm sort of having a  
19 hard time understanding what you're saying.

20 MR. BOB PETERS: Okay. You're reflecting  
21 a directive from the Board in your February 19th filing  
22 with the Board. That's the first time you filed it with  
23 the Board?

24 MS. KELLY DERKSEN: Correct. What the  
25 Board has indicated -- what we interpreted the Board to

1 indicate in Order 128/09 was to implement rates to be  
2 reflective of a revenue requirement of 147.7 million,  
3 which included a 3 million net income, but for the SGS  
4 and LGS customer classes, and to the extent that the  
5 increase in the basic monthly charges for those customer  
6 classes doesn't recoup the full amount of the -- the rate  
7 increase that the Corporation sought, that's where this  
8 issue of unity comes into play.

9 MR. BOB PETERS: No, and I think I  
10 understand your interpretation, but I haven't looked  
11 today at Order 128/09, but there was no fixed dollar  
12 amount of revenue requirement approved by the Board in  
13 that order, was there, to your knowledge?

14 Can you agree with me, subject to check?  
15 And I'm not sure what flows on it; I want to turn to what  
16 flows onto it.

17

18 (BRIEF PAUSE)

19

20 MS. KELLY DERKSEN: If I could just take  
21 a minute on that, please, Mr. Peters.

22 MR. BOB PETERS: Certainly.

23

24 (BRIEF PAUSE)

25

1 MS. KELLY DERKSEN: Mr. Peters, in -- on  
2 page 135 of 139 of Board order 128/09, Point Number 3  
3 says that Centra's application as filed, and -- and  
4 subsequently revised -- or as I understand that there  
5 were a number of revisions to our filing at that GRA --  
6 says that it has been approved. So we've interpreted  
7 that the revenue requirements, the non-gas revenue  
8 requirement that we had proposed in -- in the last  
9 revision of -- of that application was approved, and that  
10 revenue requirement was the \$147.7 million that I am  
11 referring to that is inclusive of a -- \$3 million of net  
12 income.

13 MR. BOB PETERS: I appreciate your  
14 explaining that. And do you also recall earlier in the  
15 order the Board indicating an expectation that the net  
16 income would not be the full \$3 million, but it would be  
17 less than \$3 million as a result of the adjustments they  
18 were making?

19 MS. MARLA MURPHY: Do you have a  
20 reference you could give us, Mr. Peters?

21 MR. BOB PETERS: We're working on it.

22

23 (BRIEF PAUSE)

24

25 MS. KELLY DERKSEN: I guess, first and



1 foremost, without a specific reference, I have a little  
2 bit difficult of a time responding, but our  
3 interpretation of the allowed net income was -- and  
4 revenue requirement first-off is \$147.7 million inclusive  
5 of a net income of \$3 million. We were interpreting, by  
6 virtue of the fact that rates would be unchanged with the  
7 exception of the basic monthly charges for the SGS and  
8 LGS customer classes, that the net income overall would  
9 be something lesser than the \$3 million that -- that the  
10 Board appr -- that we interpreted the Board to approve.

11

12 CONTINUED BY MR. BOB PETERS:

13 MR. BOB PETERS: And, Ms. Derksen, I'm  
14 not saying you didn't interpret it properly; the people  
15 who know that sit at a different desk than mine. But on  
16 page 15 of 139, the last paragraph, and I'll -- I'll just  
17 -- I'll read it in -- into the record. Quote:

18 "While the revisions adopted by PUB to  
19 Centra's non-primary gas rate  
20 application may negatively affect  
21 Centra's aggregate projected net income  
22 for the two (2) fiscal years ending  
23 March 31, 2011, the Board anticipates  
24 that any overall net negative impact  
25 will be modest."

1                   And it goes on to say easily accommodated  
2 by the excess returns of prior years.

3                   Now in saying that, Ms. Derksen, I'm not  
4 saying that -- that it was right or wrong; you've --  
5 you've given us your understanding and your  
6 interpretation and I do appreciate that. But let's now  
7 turn to what the impacts of that are if you did it -- we  
8 see how you've done it, and if you did it the way I was  
9 suggesting, in terms of allocating just the \$2.4 million  
10 through your cost allocation model, it wouldn't make any  
11 difference to the Corporation in terms of their bottom  
12 line, would it?

13

14   (BRIEF PAUSE)

15

16                   MS. KELLY DERKSEN: I think, Mr. Peters,  
17 that I'd like to have a brief look at that over the lunch  
18 period, if you don't mind. I don't know, as I sit here  
19 today, if there are any other implications of using a net  
20 income of lesser than \$3 million, and flowing that  
21 through -- through the Cost Allocation Study, and I'd  
22 like to have a look at that if you don't mind.

23                   MR. BOB PETERS: Certainly reasonable.  
24 And maybe I'll let you take that away as an undertaking,  
25 and if there's any -- any impact on the Corporation under

1 the two (2) different methodologies we've briefly  
2 discussed, you could indicate that in your undertaking  
3 response as well.

4 MS. KELLY DERKSEN: Yes, sir.

5  
6 --- UNDERTAKING NO. 8: Centra to indicate if there  
7 are any other implications of  
8 using a net income of lesser  
9 than \$3 million, and flowing  
10 that through the cost  
11 allocation study.

12

13 CONTINUED BY MR. BOB PETERS:

14 MR. BOB PETERS: Ms. Derksen, maybe we  
15 can turn to the -- the bill impacts for the non-primary  
16 gas increases that are before the Board presently.

17 And here we start, Mr. Chairman and Board  
18 members, with Tab 7 of the book of documents and we look  
19 at schedules -- starting with Schedule 811.

20 Ms. Derksen, I think we can be relatively  
21 quick with these. When we look at page 2 of 2 of  
22 Schedule 811, this deals with the base rates. And I  
23 harken back, I think, to the Chairman's opening comments,  
24 where he indicated that the base rates for non-primary  
25 gas costs were going to increase approximately \$12

1 million.

2 And that's what these base rates do?

3 MS. KELLY DERKSEN: Yes, sir, they do.

4 MR. BOB PETERS: But, as you've taught  
5 us, the base rates are not what customers generally pay;  
6 they pay the billed rate because the billed rate has --  
7 is affected by rate riders.

8 And to see that we have to look at  
9 Schedule 811, page 1 of 2, correct?

10 MS. KELLY DERKSEN: Yes, sir.

11 MR. BOB PETERS: And, interestingly, the  
12 rate riders in place right now are too aggressive in  
13 recovering the non-primary gas balances, and so the rate  
14 rider is going to be adjusted to recover -- help me Ms.  
15 Derksen, is it five -- five --

16 MS. KELLY DERKSEN: Mr. Peters --

17 MR. BOB PETERS: -- sorry, 2 -- \$2.8  
18 million total?

19 MS. KELLY DERKSEN: Correct. In other  
20 words, we currently are reflecting in rates rate riders  
21 that are recovering \$9.4 million of non-primary gas PGVA  
22 amounts; that's going to be reduced, the 2.8 that you  
23 referred to. And the impact to the customer at the end  
24 of day -- of the day of reducing the amount that we're  
25 collecting is going to be a decrease over that which they

1 would have otherwise paid.

2 MR. BOB PETERS: Fair enough. And -- and  
3 interestingly enough, even though you're recovering, over  
4 the course of twelve (12) months, \$2.8 million, it looks  
5 like the typical residential consumer on page 1 of 2 of  
6 Schedule 811 will actually see their bill decrease by two  
7 dollars (\$2) on an annual basis.

8 MS. KELLY DERKSEN: Correct, yes.

9 MR. BOB PETERS: And that's as a result  
10 of the cost allocation model and finding out who was  
11 responsible for the -- for the specifics of the  
12 supplemental gas, the transportation, the UFG, and the  
13 Minell charges?

14 MS. KELLY DERKSEN: Correct. What's  
15 happening here is that while there's an increase in base  
16 rates of approximately 12 mill -- \$12 million, the riders  
17 are reducing the amount of that increase. And the  
18 further complicating factor, of course, is what vol --  
19 what volume forecasts would do to the rates because a  
20 rate is -- is a two (2) part piece. It's a cost change,  
21 as well as a change in -- in the billing determined --  
22 determinant or the volumes, so that is having -- having  
23 an influence in the bill impact at the end of the day as  
24 well.

25 MR. BOB PETERS: Thank you for that.

1 Let's leave the non-primary gas rate impacts and turn to  
2 the non-gas rate impacts.

3 And these are the impacts that flow from  
4 the Board's GRA Order 128/09, is that correct?

5 MS. KELLY DERKSEN: Yes.

6 MR. BOB PETERS: And if we turn to Tab 8  
7 in the book of documents, I believe Schedule 10.1.0 is  
8 contained in there. And if we look at again -- we'll --  
9 we'll just focus on the typical residential customer, Ms.  
10 Derksen, just to keep identifying the same customer  
11 demographic.

12 Here we see, as a result of the Board's  
13 GRA order, that their bill will increase about -- well,  
14 it'll increase twelve dollars (\$12) on an annualized  
15 basis.

16 MS. KELLY DERKSEN: Yes, sir.

17 MR. BOB PETERS: And that's the one  
18 dollar (\$1) increase on the basically monthly charge that  
19 the Board ordered in Order 128/09.

20 MS. KELLY DERKSEN: Yes, it is.

21 MR. BOB PETERS: All right. Now, not  
22 only is Centra asking for the non-primary gas rates to  
23 change and the non-gas rates to change, there's also a  
24 request before the Board, I think filed last week, for  
25 the primary gas rate to change also on the gas quarter,

1 correct?

2 MS. KELLY DERKSEN: Correct.

3 MR. BOB PETERS: And at Tab 9 of the book  
4 of documents, and depending which version you have, there  
5 should be a copy of Schedule 1.2.0 that was filed on  
6 April the 13th, and for some it's on yellow coloured  
7 paper.

8 But -- and in fairness to the Centra  
9 panel, the Board has columns 1 through 7 on its copy; it  
10 doesn't have columns 8, 9, 10 and 11 depicted on this  
11 particular document in the book of documents.

12 What you are showing the Board in this  
13 one, Ms. Derksen, is that as a result of the primary gas  
14 rate application that the Board is also considering  
15 presently, the typical residential customer's bill would  
16 decrease by about 7.1 percent just related to the primary  
17 gas portion of their bill on an annual basis?

18 MR. BOB PETERS: Yes.

19 MS. KELLY DERKSEN: And that's seventy-  
20 three dollars (\$73), to quantify it, on a -- on -- for a  
21 typical residential customer?

22 MS. KELLY DERKSEN: That's correct.

23 MR. BOB PETERS: All right. The Chairman  
24 asked in his opening comments to try to bring the blended  
25 and the final combined picture to the Board, and at Tab

1 10 of the book of documents is a copy of the updated  
2 April 13th extract of Schedule 1.2.0. And it's on  
3 lavender coloured paper for the -- for the Board, and I  
4 did that just to keep the colours clear. And the -- the  
5 portion, Ms. Derksen, the Board has -- it has columns 1  
6 and 2, and it also has columns 8, 9, 10 and 11.

7 Columns 8, 9, 10 and 11, you can confirm,  
8 are the combined changes of all three (3) billing rates  
9 that are to be changed on May the 1st?

10 MS. KELLY DERKSEN: Yes, that's correct.

11 MR. BOB PETERS: And again, for our  
12 typical residential consumer, if Centra's applications  
13 are approved as filed, there would be a 6.1 percent rate  
14 decrease, or approximately sixty-three dollars (\$63) on  
15 an annual basis?

16 MS. KELLY DERKSEN: Yes.

17 MR. BOB PETERS: While I'm at it, you can  
18 confirm, Ms. Derksen, that also included in your filing  
19 of April 13th attached to Centra Exhibit 10, you filed  
20 rate schedules. Do you remember that, both base -- base  
21 rate schedules and billed rate schedules?

22 MS. KELLY DERKSEN: Yes, I do.

23 MR. BOB PETERS: And those schedules  
24 refer specifically to columns 8, 9, 10 and 11 of Schedule  
25 1.2.0, that is, the combined impacts of all three (3)



1 rate adjustments?

2 MS. KELLY DERKSEN: Correct. The rate  
3 schedules that we filed as part of the primary gas  
4 application are reflective all -- of all the rates that  
5 we anticipate to put into place on May 1, under the  
6 assumption, of course, that we would get PUB approval of  
7 our application as filed.

8 MR. BOB PETERS: Okay. Included in that  
9 undertaking you're going to chew down over -- over  
10 lunchtime, can you tell the Board whether -- if you did  
11 your cost allocation using only \$2.4 million of net  
12 income as opposed to the \$3 million, whether there would  
13 have been any change on these rate schedules?

14 MS. KELLY DERKSEN: I will do that.

15 MR. BOB PETERS: Thank you. And perhaps  
16 no hearing would be complete unless we looked at the  
17 document at page 22 of the book of the documents. Again,  
18 this is the annual space heating costs; and, Mr. Chairman  
19 and Board members, there was an April 13th update  
20 provided in colour to the Centra Exhibit 10 documents  
21 provided.

22 And, Ms. Derksen, Mr. Kuczek, what we see  
23 here, and perhaps remember differently from the last time  
24 you were before the Board ten (10) months ago, is that  
25 the relative difference between heating with electricity

1 and heating with natural gas has changed such that the  
2 economics favour natural gas even more so than they did  
3 the last time you were before the Board?

4 MR. LLOYD KUCZEK: Correct.

5 MR. BOB PETERS: And if a person is using  
6 a high efficiency furnace, Mr. Kuczek, whether through  
7 your Furnace Replacement Program, or otherwise, compared  
8 to electric heat, their annual savings here for this  
9 typical consumer would be in the neighbourhood of three  
10 hundred and seventy-five (375) a year?

11 MR. LLOYD KUCZEK: And even more if they  
12 were going to have natural gas for other purposes, I  
13 guess, because then you wouldn't take into account the  
14 base cost for natural gas, because they would have that  
15 otherwise.

16 And when I say for other purposes, it  
17 could be hot water heating. Some customers, especially  
18 in Winnipeg, have indicated an interest to have  
19 fireplaces -- natural gas fireplaces, as well as, to a  
20 lesser degree, some customers like having natural gas for  
21 cooking purposes.

22 MR. BOB PETERS: So natural gas is -- is  
23 considerably more economical in terms of a fuel for space  
24 heat?

25 MR. LLOYD KUCZEK: Correct.

1                   MR. BOB PETERS:    But that's not a message  
2 that the Corporation feels it's at liberty to tell its --  
3 its consumers?

4                   MR. LLOYD KUCZEK:    Actually, we just had  
5 a discussion yesterday about how we should embark on an  
6 education program to ensure customers are aware of this,  
7 because we are seeing some customers installing electric  
8 furnaces in a couple particular areas anyways, and we  
9 think it's important that customers know -- or have --  
10 are more informed in terms of making choices.

11                  MR. BOB PETERS:    Okay. I want to close,  
12 Ms. Derksen, and Mr. Kuczek, with Tab 11 of the book of  
13 documents. And this is PUB/CENTRA Question 38. And on  
14 page 2 of 2 are two (2) charts looking at utility rate  
15 comparisons amongst major utilities across Canada.

16                                 Have you located that?

17                  MS. KELLY DERKSEN:   Yes, sir, I have. I  
18 have.

19                  MR. BOB PETERS:    So if Hamilton gets an  
20 NHL team, we're going to all move to Hamilton, is that  
21 the message we're getting here, Ms. Derksen.

22                                 MS. KELLY DERKSEN:    Yes, it is.

23                  MR. BOB PETERS:    Ms. Derksen, let's --  
24 and I don't want to be that -- that light with it, but  
25 when we compare the current rate in Winnipeg to the

1 current rate in Hamilton, we're paying twice as much,  
2 correct?

3 MS. KELLY DERKSEN: At the point in time  
4 that this comparison was done, and also with -- with the  
5 caveat that this is not representative of -- of a  
6 customer's bill; this -- this is a rate only. And so  
7 there are timing differences. I don't know how PGVAs may  
8 or may not be dealt with. So there's a number of caveats  
9 that I'd like to -- to add to -- to that response, sir.

10 MR. BOB PETERS: Well -- well -- well,  
11 you've added them already, Ms. Derksen. My question to  
12 you is well why do you have to add the caveats? Why  
13 can't you come before the Board and say, Hamilton's  
14 paying eleven point one nine (11.19) cents per cubic  
15 metre, and that's cheaper than our rate because of these  
16 specific reasons, and if you took these reasons and added  
17 in this -- these amounts, their actual rate on an apples-  
18 to-apples comparison would be so much?

19 Is that something that's possible to be  
20 done?

21 MR. GREG BARNLUND: Mr. Peters, I think  
22 that there are some -- some things that could be done in  
23 that regard, but it is a significant undertaking to begin  
24 to benchmark rate components between jurisdictions.  
25 There are significant differences in terms of rate design

1 between various utilities and it became -- becomes  
2 extraordinarily difficult to isolate one (1) component of  
3 the bill -- and we are only isolating one (1) component  
4 of the bill here -- and trying to come to some rational  
5 or understanding in terms of how that -- why there are  
6 differences between those components.

7                   So it is possible that -- that some  
8 extensive work could be undertaken to explore that, but  
9 it would be a very significant undertaking to be able to  
10 provide the appropriate context in understanding the  
11 differences of different billing components between  
12 different utilities.

13                   MR. BOB PETERS:    Maybe not so much for  
14 the comparative purposes, Mr. Barnlund, but isn't there  
15 value in understanding the prices in other jurisdictions  
16 in terms of how Centra can -- can look to see what it's  
17 doing on its rate structure and how its rates are  
18 developed?  I mean --

19                   MR. GREG BARNLUND:   Well, I think we  
20 would be wanting to view any information on a total bill  
21 basis.  And -- and we tend to look at -- at -- at any  
22 type of comparison.

23                   I know in terms of our Corporate Strategic  
24 Plan any comparison that we would do with other utilities  
25 would be taking into consideration the total residential

1 bill or the distribution portion of the residential bill,  
2 as opposed to segregating out different components and  
3 layers of the charges that are -- that are recovered from  
4 those customers.

5 MR. BOB PETERS: Maybe you can file the  
6 equivalent schedule 1.2.0, or whatever it is, from --  
7 from each of these other Utilities' GRA applications in -  
8 - next time you get asked this question and you could see  
9 what the impact is on a typical residential consumer.

10 MR. GREG BARNLUND: Well, and I think that  
11 what that would demonstrate, is that even within  
12 utilities within these jurisdictions there are  
13 significant differences in terms of how these commodity  
14 rates are set. And -- and I understand there are  
15 significant differences between Enbridge and Union  
16 currently in terms of the treatment of purchase gas  
17 variance accounts in other -- a number of other details.

18 Clearly, it's a significant amount of work  
19 to really -- I mean, it's one thing to file extracts of  
20 somebody's rate application but to be able to provide  
21 meaningful evidence and provide the context around that  
22 is another matter entirely and we'd have to consider what  
23 -- what value that would provide versus the amount of  
24 effort that would take.

25 MR. BOB PETERS: Okay, I'll leave it at

1 that.

2 Mr. Chairman, a couple of things. I'd  
3 like to thank the panel of Ms. Derksen, Mr. Barnlund, Mr.  
4 Kuczek, and Mr. Warden for their answers to my questions.

5 I was also remiss, and I'm sure -- and I  
6 apologize for it, that as we are very much aware, those  
7 on the microphone aren't always the ones who do all the  
8 work. And the last panel, I believe, by memory, had Ms.  
9 Stewart, Mr. Sigurdson, Ms. Bercier is a stalwart, if  
10 we've got his name right Mr. Cory Radik (phonetic) or  
11 Rach, and likewise we have Ms. Sterdan, Ms. Johnson, and,  
12 again, Ms. Bercier and Mr. Derrick here helping. And I  
13 do thank them. Their work both during the Hearing and in  
14 advance is appreciated and I think it makes the Hearing  
15 go better, so.

16 I've also pushed Mr. Saxberg up towards  
17 the lunch hour. I don't know if he has many questions of  
18 this panel, and if he does then maybe it's -- we would  
19 take a lunch break and if he doesn't maybe we work  
20 through our growling stomachs and press on. But I'll  
21 leave that for a discussion with Mr. Saxberg.

22 THE CHAIRPERSON: Thank you, Mr. Peters.  
23 Just -- by the way, just a commentary, I certainly agree  
24 that there's undoubtedly a lot of difference between the  
25 utilities across the country. Like, for Alberta, for

1 example, if I understand it properly, they -- they don't  
2 do any hedging at all, which would be another difference  
3 that would be involved in it.

4 Mr. Saxberg, do you have a lot for this  
5 panel?

6 MR. KRIS SAXBERG: No, I only have a  
7 couple of questions.

8 THE CHAIRPERSON: Well, let's have them  
9 then.

10 MR. KRIS SAXBERG: Thanks. And just to  
11 make it clear, the -- the reason I only have a few  
12 questions isn't because these were not important issues  
13 to my clients; it's because of the sedulous effort of Mr.  
14 Peters and the Board consultants, of course, and some of  
15 the questions that you asked, Mr. Chairman, have, I  
16 think, put on the record all of the information needed  
17 for my clients to be able to comment on these areas in  
18 closing.

19 But I just wanted to ask a couple of  
20 questions because I can't resist.

21

22 CROSS-EXAMINATION BY MR. KRIS SAXBERG:

23 MR. KRIS SAXBERG: If I could get the  
24 panel to turn to CAC-34, and it's a -- it's a collection  
25 of the advertisements for the fixed rate service. And



1 I'm looking at the very last advertisement, so it's the  
2 last document. It's a -- this is a newspaper  
3 advertisement.

4 MR. LLOYD KUCZEK: Correct. I have it.

5 MR. KRIS SAXBERG: And the quarterly  
6 rate, which is, you'd agree, a fixed rate for a quarter?

7 MR. LLOYD KUCZEK: Correct.

8 MR. KRIS SAXBERG: Is prominently  
9 displayed amongst the other three (3) fixed rate options;  
10 you'd agree with that?

11 MR. LLOYD KUCZEK: Correct.

12 MR. KRIS SAXBERG: And would you agree  
13 that in broker advertisements the quarterly rate doesn't  
14 appear?

15 MR. LLOYD KUCZEK: Correct. Having said  
16 that, I haven't seen their advertisements. I think they  
17 go door-to-door, so it's whatever material they show  
18 their customers there.

19 MR. KRIS SAXBERG: And from Centra's  
20 perspective, does that influence whether or not customers  
21 are interested in -- in purchasing the product?

22 MR. LLOYD KUCZEK: We think so. And the  
23 experience that we had with the four (4) offerings  
24 clearly suggested that participation dropped in terms of  
25 customers signing up for those fixed price products when

1 the gap in price increased for the fixed price products  
2 relative to the alternative variable product.

3 MR. KRIS SAXBERG: Thank you for that.  
4 And Direct Energy is no longer operating in -- in this  
5 jurisdiction, is that correct?

6 MR. LLOYD KUCZEK: Correct.

7 MR. KRIS SAXBERG: What has happened to  
8 Direct Energy's contracts? Have they been assigned?

9 MR. GREG BARNLUND: To our knowledge,  
10 Direct Energy is still serving customers in this  
11 jurisdiction that have existing contractual arrangements  
12 with them.

13 THE CHAIRPERSON: Are they not operating  
14 on -- with larger customers still and just abandoned the  
15 retail part?

16 MR. GREG BARNLUND: I think that is the  
17 case. I -- my understanding is that they have ceased  
18 marketing to res -- new residential customers, but it is  
19 conceivable they are still involved with commercial  
20 customers in this jurisdiction.

21

22 CONTINUED BY MR. KRIS SAXBERG:

23 MR. KRIS SAXBERG: Does Centra see what  
24 information is provided to customers by brokers before  
25 customers renew with brokers?

1                   MR. GREG BARNLUND:    Sorry, could you  
2 repeat that again, Mr. Saxberg?

3                   MR. KRIS SAXBERG:    I guess I'm -- I'm  
4 just wondering if there's a renewal letter that's sent by  
5 brokers that get seen by Centra before the renewal is put  
6 into effect.

7                   MR. GREG BARNLUND:    I don't believe that  
8 would be the case.  In terms of our -- I guess our  
9 involvement in terms of repricing a contract for the  
10 customer or having them renew, is that the marketer would  
11 contact us and provide us with information that an  
12 existing customer was re-contracting.  And our gas supply  
13 people that operate the western transportation service  
14 and agency billing and collection service system would  
15 have access to that information, but they would not be  
16 sharing or providing that information to anyone else.  
17 And that relationship and that information containment is  
18 enshrined in our standard of conduct.

19                  MR. KRIS SAXBERG:    Okay.  Thank you for  
20 that.  And just on the Furnace Replacement Program, Mr.  
21 Kuczek, you had indicated that you can't -- these are my  
22 words, I'm paraphrasing as best I can -- you can't market  
23 the nineteen dollar (\$19) deal too aggressively,  
24 otherwise, you'll have a giant lineup of customers  
25 outside your door wanting to participate in the program.

1                   MR. LLOYD KUCZEK:    I think I mentioned  
2 that is a possible outcome if we were successful in  
3 marketing the program.  And marketing plays a big  
4 influence in terms of participation, and I think we  
5 received some criticism for not marketing programs  
6 aggressively enough, and I -- I would agree that we need  
7 to market programs more.

8                   And then the question is always a balance  
9 between how much you spend in marketing and actually  
10 using the dollars to implement things that really make  
11 the difference, and that's getting the energy efficient  
12 measure in place.

13                   But, clearly, we've seen marketers go out  
14 and sell rocks to customers, and it's unbelievable how many  
15 rocks were sold at one time in place, so.

16                   MR. KRIS SAXBERG:    Yeah, I remember those  
17 pet rocks.

18                   It's -- the -- the program though is a  
19 first-come, first-served basis?

20                   MR. LLOYD KUCZEK:    Not -- well, not --  
21 not first-come, first-served in terms of being able to  
22 participate, but certainly there is an order in terms of  
23 processing.  And so, to some degree, that's true, but  
24 they all get served within a reasonable period of time.  
25 And I guess that was evidence with our -- at the end of

1 the year, only sixty (60) that I mentioned in my direct  
2 evidence that are in the queue right now.

3 MR. KRIS SAXBERG: And once someone who  
4 qualifies expresses an interest in participating in the  
5 program, are they guaranteed to be able to participate in  
6 the program regardless of what happens in terms of the  
7 total number of -- of qualifying participants and the  
8 amount of funding available?

9 MR. LLOYD KUCZEK: Yeah. We -- we would  
10 certainly -- I guess we would do something similar to  
11 ecoENERGY or the Federal Government, but we would do it  
12 in a -- certainly a much more customer friendly manner.

13 And we've ended programs in the past. We  
14 usually give customers -- and we would certainly likely  
15 give customers, some advance warning if we were going to  
16 terminate or change a program.

17 So our furnace program was scheduled to  
18 end at a certain date. We extended it a couple of times,  
19 and it did eventually end on December 31st of this last  
20 year. So the same would likely apply to our lower income  
21 programs as well.

22 MR. KRIS SAXBERG: And when you're  
23 advertising the program, what steps are you taking to  
24 ensure that everyone has an equal opportunity to see the  
25 advertisement?

1                   MR. LLOYD KUCZEK:   Well, that's the  
2 challenge is -- you know, if you -- you -- there's --  
3 there's many channels that you can use to get to your  
4 customers, and there's no clear path in terms of what the  
5 best approach is.  What we're finding with the lower  
6 income program is -- is we need to assess that market a  
7 little closer, and we have tried using different channels  
8 in the past than other typical programs; that was working  
9 through social agencies, community groups and those sort  
10 of groups to see what kind of participation we've got.

11                   Taking that approach, we've -- we were  
12 able to get two thousand (2,000) customers signed up,  
13 which we thought was pretty good, and we're now taking  
14 steps to actually advertise in different ways, and  
15 includes putting ads on bench -- those bus benches, I  
16 believe, is what it is.  I think there's billboards.

17                   Yeah.  Certainly some newspapers, local  
18 newspapers for sure.  And as we go forward, we'll keep  
19 experimenting and seeing what -- what works and what's  
20 successful, but I think we keep -- you have to keep  
21 changing, because not everything is -- gets seen by  
22 customers.

23                   But, having said that, even when customers  
24 see it, we're -- we're finding now that it's very  
25 difficult to get customers to actually act on -- on these

1 programs. Even if you get beyond the ability to pay,  
2 very disappointing in terms of the customer numbers on  
3 how many people participated in the -- all the grants  
4 that were available in the last year -- year plus through  
5 our program, the Federal program and the tax credit.

6           You know, you were eligible to receive  
7 possibly fifteen hundred dollars (\$1,500), and I expected  
8 the number of inefficient furnaces to be replaced to be  
9 substantial, and very disappointing to see we've still  
10 got seventy-five thousand (75,000) to go yet, including  
11 the low-income people, and that's a big number.

12           And so, you know, I did some personal  
13 research even to try to understand why people don't do  
14 anything and take advantage of these programs. And one  
15 of my friends is a double income individual and his  
16 furnace is -- oh, it's twenty-five (25) years plus, so  
17 money's not an issue there. And so I sent him an e-mail,  
18 told him about all these grants and thought, yeah, should  
19 be no problem; I'll get this guy to convert for sure.  
20 And at the end of the day, nothing. And he -- a couple  
21 of e-mails back and forth, but then I made the phone  
22 call, the personal phone call, and told him that, You  
23 know, these programs are coming to an end, you -- you  
24 don't have a lot of time. And couldn't convince him.

25           So there's an example of somebody with no

1 money problems at all, an old furnace that's going to die  
2 any day and I pointed that out to him. And I said he's  
3 going to pay through the nose when he has to phone  
4 somebody at midnight and go through the discomfort of all  
5 that, but couldn't convince him. And -- and clearly he's  
6 just one of many customers that won't change their  
7 furnaces.

8                   This morning, actually ran into another  
9 customer that had heard me talking about furnaces -- an  
10 employee, in fact -- and this employee also has an old  
11 furnace. And so I asked him why he didn't participate in  
12 the program, and his view is, his furnace is going to  
13 last many, many more years and he just couldn't be  
14 bothered. And he, in fact, added to that, and he's got a  
15 brother-in-law that could have got him a deal on a  
16 furnace. Still not enough, even with the grants.

17                   So that's why we have seventy-five  
18 thousand (75,000) furnaces out there that customers are  
19 still not going to replace, even if we have aggressive  
20 incentive programs.

21                   So, having said that, we've still got a  
22 job ahead of us to try to get as many as we can done  
23 within a reasonable period of time, and recognizing that  
24 these furnaces will get replaced, because they're going  
25 to die. So, in my mind, if we don't do anything, in the



1 next ten (10) years most of them will be gone anyways.

2 MR. KRIS SAXBERG: Thank you for that  
3 anecdotally -- I actually participated in the program, so  
4 I was able to be convinced.

5 MR. LLOYD KUCZEK: Thank you.

6 MR. KRIS SAXBERG: Thanks to the panel.  
7 Those are all my questions.

8 THE CHAIRPERSON: Thank you, Mr. Kuczek.  
9 Just one (1) last question. I imagine another restraint  
10 from a supply perspective would be the number of heating  
11 contractors that you would have signed up to install the  
12 furnaces.

13 Is that a -- is that a restraint?

14 MR. LLOYD KUCZEK: No, we're not finding  
15 that a constraint at all. We've got seven (7)  
16 contractors installing today. And in fact I got a call  
17 from one (1) of those customers personally that knows me,  
18 and wanted to know why he wasn't getting more, so I don't  
19 think there's a capacity issue.

20 THE CHAIRPERSON: Okay. Well I'll --  
21 I'll --

22 MR. LLOYD KUCZEK: If we market enough  
23 like the pet rock guys.

24 THE CHAIRPERSON: Well, I'll join with  
25 Mr. Peters and Mr. Saxberg's thanks to the -- this panel,

1 and the panel that preceded it. We appreciate all the --  
2 the evidence and the information, and the way it was all  
3 presented and put forth, and the conduct of the Hearing.

4 And the undertakings that are still  
5 outstanding could be filed as they become available.

6 And, Mr. Peters, I imagine we look forward  
7 to closing arguments on Tuesday, is it not?

8 MR. BOB PETERS: Yes, sir. The plan is  
9 that I suppose I will lead things off at nine o'clock,  
10 and 9:15 Mr. Saxberg will be on the microphone. And I've  
11 invited Just Energy, through Ms. Ruzycki to provide any  
12 closing comments in writing by the end of business the  
13 day before, so they could be available to the parties.

14 Our expectation is that following Mr.  
15 Saxberg there would be an appropriate adjournment, a  
16 recess, and that in the -- probably in the afternoon  
17 Centra will provide their closing comments on that  
18 Tuesday, so that all of those matters would be complete  
19 by the end of Tuesday.

20 THE CHAIRPERSON: Would it work if we  
21 began at ten o'clock?

22 MR. BOB PETERS: Absolutely. Ten o'clock  
23 works. Yeah. Okay.

24 THE CHAIRPERSON: Okay. Very good then.  
25 So we'll see you Tuesday morning at ten o'clock. Thank

1 you.

2

3 (PANEL STANDS DOWN)

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5 --- Upon adjourning at 12:10 p.m.

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7 Certified Correct,

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Cheryl Lavigne, Ms.

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