

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

MANITOBA PUBLIC UTILITIES BOARD

RE:

CENTRA GAS
2010 COST OF GAS
PRE-HEARING CONFERENCE

Before Board Panel:

Graham Lane - Board Chairman
Monica Girouard - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
January 15th, 2010

Pages 1 to 22

APPEARANCES

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

Bob Peters) Board Counsel
Marla Murphy) Centra Gas
Kris Saxberg) CAC/MSOS

1	TABLE OF CONTENTS	
2		Page No.
3	List of Exhibits	4
4	Opening Remarks	5
5		
6	Presentation by CAC/MSOS	11
7	Presentation by Centra	15
8		
9	Certificate of Transcript	22
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1	EXHIBITS		
2	NO.	DESCRIPTION	PAGE NO.
3	PUB-1	Notice of Hearing	10
4	CENTRA-1	Centra's Application	10
5	CENTRA-2	Proposed timetable.	10
6	CENTRA-3	Affidavit of publication	
7		and service of notice	10
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

1 --- Upon commencing at 10:06 a.m.

2

3 THE CHAIRPERSON: Good morning, everyone.

4 Welcome to the pre-hearing conference in respect to

5 Centra Gas Manitoba Inc.'s 2010 Cost of Gas Application.

6 I am Graham Lane, the Chairman, and I'm

7 pleased to be joined today by Ms. Monica Girouard. Also

8 assisting the Board is Hollis Singh, acting board

9 secretary and Executive Director.

10 The purpose of today's pre-hearing

11 conference is to identify parties seeking to intervene,

12 learn the purpose of such interventions, and also to try

13 and reach an understanding as to the timetable for the

14 orderly exchange of evidence that precedes the Board's

15 Order.

16 As to the Application that brings us here,

17 Centra filed on December 18th, 2009, seeking the Board's

18 approval of new supplementary gas rates, transportation

19 to Centra rates, and distribution to customer rates, all

20 to be effective May 1st of this year. The changes in

21 rates appear to be the result of forecast gas costs for

22 the now current gas year, which runs from November 1st,

23 2009, to October 31st, 2010, together with the recovery

24 of gas cost deferral balances, as determined at the end

25 of 2008/09's gas year, on October 31st, 2009.

1 Most parties will be aware that the cost
2 of gas is the most significant cost incurred by Centra in
3 providing services to customers. These costs, with the
4 exception of the relatively new fixed-rate primary gas
5 service costs, are regulated on a pass-through basis,
6 which means the costs are passed on to customers without
7 any markup or profit to Centra.

8 To ensure only the cost of gas, no more
9 and no less, is passed on to customers, the Board has
10 approved a number of purchased gas variants accounts
11 which record the difference between the actual cost of
12 gas and the cost that is embedded in rates. These
13 differences are either periodically refunded to or
14 recovered from customers, by way of temporary rate
15 riders.

16 Turning to the numbers in Centra's
17 Application. The final amount of the November 1, 2009 to
18 October 31st, 2009 total gas costs, are \$437 million.
19 This compares to the new forecast for total gas costs for
20 the period November 1st, 2009, to October 31st of this
21 current year of three hundred million six hundred
22 thousand (300,600,000).

23 The primary gas portion of the forecast
24 gas costs will not be dealt with in this Application;
25 rather, primary gas rates are adjusted quarterly, and

1 earlier this week the February 1st, 2010 primary gas rate
2 was set in Order 4 of 10.

3 The non-primary gas costs are forecasted
4 to be 69 million in the current gas year. This is
5 approximately 12 million more than the amounts currently
6 embedded in consumer rates. Partially offsetting the \$12
7 million increase in forecast gas cost is a proposed
8 reduction of 6.6 million on account of non-primary
9 deferral account balances.

10 The combined effect is an overall increase
11 of 5.5 million in gas costs from the previous amounts
12 collected in rates. Also to be considered are the rate
13 adjustments to non-gas cost items, as approved in Board
14 Order 128 of '09, and which are to be implemented on May
15 1st, 1020. In the material filed by Centra, the combined
16 annual impact of Order 128/09 and the non-primary -- and
17 this non-primary gas cost Application, is an increase of
18 approximately 1 percent or ten dollars (\$10) on the
19 annual bill for a typical residential customer.

20 Centra is also seeking final approval of
21 interim orders of the Board related to both primary gas
22 and non-primary gas rates. These orders relate to non-
23 primary gas rates approved as of August 1st, 2009, and
24 primary gas rates approved as of August the 1st, 2009,
25 November 1st, 2009, and most recently, February 1, 2010.

1 Finally, Centra has also responded to a
2 number of directives issued by the Board in previous
3 orders, including directives related to the lower income
4 furnace replacement program and the fixed rate primary
5 gas service.

6 As to the procedures for today, the Board
7 will now ask Mr. Peters to assist us. Mr. Peters...?

8 MR. BOB PETERS: Thank you and good
9 morning, Mr. Chairman, Board Member Girouard, ladies and
10 gentlemen. For the record, my name is Bob Peters and I
11 am counsel to the Public Utilities Board on Centra's Cost
12 of Gas Application. Also assisting the Board are its
13 engineering and account advisors, Brady Ryall of Energy
14 Consultants International to my right, and Roger Cathcart
15 of Cathcart Advisors to my left.

16 With the Chairman having summarized the
17 Application, I suggest the Board can now turn to the
18 identification of the parties that wish to intervene in
19 this Costs of Gas Application process and hear opening
20 comments, as well as requests for Intervenor status.

21 In addition to those submissions, it
22 should be noted, Mr. Chairman, that Centra has proposed a
23 timetable for the process of the consideration of its
24 Cost of Gas Application. A timetable was circulated this
25 morning.

1 In Centra's covering letter of December
2 18th, Centra's indicating, in its proposal, that this
3 matter proceed by way of a public review without a need
4 for an oral public hearing; that is to say, the matter
5 would proceed entirely in written format.

6 So I suggest that in addition to the
7 Intervenor status that counsel for CAC/MSOS will speak
8 to, he should also provide the Board with submissions on
9 behalf of his clients, as to the timetable and the
10 request for a written process without an oral hearing.

11 Now, in terms of parties seeking
12 Intervenor status, the Board has received a written
13 request and Intervenor request forms from Just Energy
14 Manitoba Limited Partnership, which I understand is a
15 succ -- is the successor to Energy Savings Manitoba
16 Limited Partnership. In addition, Mr. Saxberg, together
17 with his client, Ms. Desorcy, are present today on behalf
18 on of Consumers Association of Canada (Manitoba), and Mr.
19 Saxberg is also present today on behalf of the Manitoba
20 Society of Seniors.

21 And with respect to exhibits for the pre-
22 hearing conference, I would propose that the Notice of
23 Hearing, dated December 21, 2009, be marked as Exhibit
24 PUB number 1.

25

1 --- EXHIBIT NO. PUB-1: Notice of Hearing

2

3 MR. BOB PETERS: I would also propose
4 that Centra's Application, dated December 18th, 2009, be
5 marked as Exhibit Centra-1.

6

7 --- EXHIBIT NO. CENTRA-1: Centra's Application

8

9 MR. BOB PETERS: Exhibit Centra-2 could
10 be the proposed timetable that was circulated this
11 morning.

12

13 --- EXHIBIT NO. CENTRA-2: Proposed timetable

14

15 MR. BOB PETERS: And Centra Exhibit 3
16 would be the affidavit of publication and service of
17 notice that has been filed on January 12th by Centra.

18

19 --- EXHIBIT NO. CENTRA-3: Affidavit of publication and
20 service of notice

21

22 MR. BOB PETERS: Mr. Chairman, I suggest
23 you call on Mr. Saxberg for his opening comments, his
24 request for Intervenor status, as well as any submissions
25 that he may have on the schedule, before turning to

1 Centra's counsel, Ms. Murphy, for her comments including
2 whether Centra is opposed to any of the Intervenor
3 requests.

4 Subject to any questions that you would
5 have of me at this time, those conclude my opening
6 comments. Thank you.

7 THE CHAIRPERSON: Thank you, Mr. Peters.
8 So we will do as you suggest. Mr. Saxberg...?

9
10 PRESENTATION BY CAC/MSOS:

11 MR. KRIS SAXBERG: Thank you, Mr.
12 Chairman. Good morning to you, and good morning ladies
13 and gentlemen.

14 Consumers Association of Canada, Manitoba
15 Branch, and the Manitoba Society of Senior -- Seniors have
16 sought Intervenor status in this Proceeding. We haven't
17 filed a budget as of yet, and we will, or I'll undertake
18 to do that, as soon as the issue of the Hearing schedule
19 and the Hearing format are -- are resolved by the Board.

20 In terms of level of participation, we
21 expect to participate in the usual -- in our usual
22 manner; that is, we'll be involved in all aspects of the
23 Hearing and we will be addressing all issues of concern
24 to -- to my clients that arise through the discovery
25 phase of the -- of the Hearing process.

1 In terms of the schedule that's -- that's
2 been circulated this morning, in -- if the Hearing
3 process turns out to be a paper hearing process only,
4 then we have no problem with -- with the schedule as it's
5 set out.

6 And -- however, in terms of our position
7 on whether or not this should be a -- an oral or paper
8 hearing, my client's position is that the Hearing should
9 be an oral hearing, and the reasons for taking that
10 position are fourfold.

11 First, I haven't heard any reason or com -
12 - compelling reason to change the way that we do
13 business. I've been involved in this -- in these
14 proceedings for over ten (10) years now, and every year -
15 - maybe one (1) exception -- we have an Annual Cost of
16 Gas Hearing and it's an oral hearing. And I -- I just
17 haven't heard a single reason why we would be changing
18 from that format.

19 All of the Hearings that I've been
20 involved in, I think, have been warranted and that they
21 always produced useful information for this Board to be
22 able to do its job, and I have no reason to believe that
23 a hearing in this Application would be any different. So
24 that's the first reason.

25 The second is the -- the Application does

1 affect rates in -- in a way that, although it's cast as 1
2 percent increase only, that I think is fairly
3 significant; it's a -- an increase in forecasted cost of
4 north of \$10 million, which is around the same amount
5 that was being sought in the General Rate Application
6 which involved a lengthy oral hearing. So, in other
7 words, there's enough -- there's a rate increase that's -
8 - that's significant enough to warrant an oral hearing.
9 So that's the second reason.

10 The third is we've got a brand new gas
11 supply contract. Centra purchases gas in loco parentis
12 for all of its customers and it signs a contract and the
13 customers expect Centra to get the best deal. And this
14 Hearing is going to involve review of the cost
15 consequences of that contract, and that's a significant
16 matter.

17 So that type of review also, I would
18 submit, doesn't really lend itself to a paper process;
19 that it's a -- it's more efficient for all parties to
20 test Centra and -- and its gas supply arrangements
21 through cross-examination. And so that was the third
22 reason.

23 The fourth is, if there's a Hearing I
24 don't anticipate that it would be a lengthy one - maybe
25 two (2) days. And if we were to build in an oral hearing

1 for -- for two (2) days at the end of this schedule and
2 it turned out that through the discovery process, through
3 the Information Request process, that there really
4 weren't any major issues between the parties, the hearing
5 could always be cancelled, you know, if we get to that
6 very fortunate circumstance. I haven't seen it yet in --
7 in past proceedings, but it's possible that everyone may
8 agree at -- at a point where information's being
9 exchanged, that everyone may agree that we're in
10 agreement and that's there no need for, you know, the
11 type of testing of evidence that you get from an oral
12 hearing and from a cross-examination.

13 So I don't think it's a big deal to set
14 aside two (2) days for an oral hearing, because we really
15 don't know yet how significant the differences in
16 position will be. And, you know, related to that, Centra
17 doesn't know what evidence CAC's going to file, and they
18 may want -- they may want to challenge that evidence, and
19 the only -- the best way to challenge evidence is through
20 cross-examination. And Centra may -- may itself want to
21 -- to cross-examination on the evidence that's filed by -
22 - by CAC/MSOS. And CAC/MSOS may very well want to
23 cross-examine as a result of the exchange of information
24 in the -- in the discovery process.

25 I think the question that the Board has to

1 consider is we've always had a hearing, what's changed?

2 And I -- I don't know of anything that has changed.

3 So that's our position on the matter. And
4 I should note, for the record, that we, CAC/MSOS, intends
5 to utilize Mr. Mark Staft, and we expect that he will be
6 filing evidence and that the -- that the evidence will
7 include an examination of how the fixed price service is
8 operating, the new gas supply contract, a look into where
9 things are going, in terms of re-contracting for
10 transportation and storage down the road. And also, we
11 are going to ask Mr. Staft to comment on all of the
12 changes that have been going on, in -- in terms of
13 availability of -- of gas supply and transportation.

14 And so those are my -- my comments. I --
15 I should've noted at the beginning, it's nice to see
16 everybody again, and I look forward to working with you
17 all in this Hearing.

18 THE CHAIRPERSON: Thank you, Mr. Saxberg.
19 Seeing no other party here -- although we have in -- in
20 writing from Just Energy, Ms. Murphy, could we have your
21 comments, please? And also at the same time, if you have
22 any objections to the two (2) Intervenor applications
23 that we do have.

24

25 PRESENTATION BY CENTRA GAS:

1 MS. MARLA MURPHY: Certainly. Good
2 morning, Mr. Chairman, members of the Board, Intervenors,
3 Board -- Board advisors. For the record, my name is
4 Marla Murphy and I'm appearing on behalf of Centra Gas.

5 With me I have Greg Barnlund, who is the
6 manager of Regulatory Services Department, and
7 immediately behind me is the woman who looks after Mr.
8 Barnlund very well, Terri Bercier, who's the Regulatory
9 Coordinator. She'll be responsible for the conduct of
10 this Application.

11 Mr. Chairman, you're aware that the Cost
12 of Gas Application was filed on December 18th of 2009,
13 and in accordance with the Board's direction, the notice
14 of public hearing was published in various daily and
15 weekly newspapers in various communities throughout the
16 province. Those were published between January 2nd and
17 January 13th. And the notice was also served by fax or
18 e-mail, as was directed by the Board, on franchise-
19 granting municipalities, registered brokers, parties of
20 record at the last General Rate Application, cost of gas
21 application, special contract, interruptible mainline,
22 and high-volume customers.

23 We have filed the Affidavit of Service and
24 it's been entered as an exhibit this morning as Centra
25 Exhibit number 3, I believe.

1 I won't review the Application, as you've
2 done that this morning, Mr. Chairman. The only thing I
3 would note that we have on our list as an interim order
4 that is to be confirmed, was the recent order issued by
5 the Board with respect to derivatives hedging, and I
6 believe the direction in that Board was it was to be
7 addressed at this Hearing as well.

8 With respect to the process that Centra
9 has proposed -- and maybe I'll just touch on the
10 timetable first. A propo -- a revised timetable has been
11 provided this morning. It adds in an extra week to allow
12 the Intervenors time to prepare their first round of
13 Information Requests.

14 It also contemplates rebuttal evidence in
15 the event that that becomes necessary, and we won't know
16 that, of course, until we see what evidence is filed, if
17 any, on behalf of the Intervenors. And, so, that's --
18 that's been reserved in the schedule as well.

19 With respect to the written process,
20 Centra proposed that for a number of reasons. First and
21 foremost is regulatory efficiency. We have recently
22 concluded a lengthy and expensive General Rate
23 Application and the Board will recall, of course, that
24 matters of interest to the Board and the Intervenors were
25 canvassed at that Hearing, which just concluded this past

1 June.

2 The matters at issue in this Application
3 are fairly straightforward and, in our respectful
4 submission, they can be adequately canvassed by way of a
5 written application. That process will reduce both the
6 expense and the time associated with this Application,
7 all of which will enhance regulatory efficiency which is
8 a goal, I know, of the Board. We see it in the primary
9 gas applications and -- and in the conduct of the
10 hearings themselves.

11 I think it's also significant to note that
12 Manitoba Hydro has recently filed its 2010/'11 and
13 '11/'12 General Rate Application. And while the process
14 for that Application hasn't been determined by the Board
15 as of yet, we are aware that the Board has requested that
16 First Round Information Requests are to be received by
17 Hydro by February the 3rd. It is expected that that
18 Hearing is going to require significant resources on the
19 part of Manitoba Hydro and as such, conducting a cost of
20 gas hearing at the same time, by way of a written
21 process, will assist us in managing our resources.

22 Mr. Saxberg suggest -- suggests this
23 morning that we should do this by way of an oral hearing
24 because that's the way we've always done it. And, with
25 respect, I don't think that that's a good enough reason

1 to hold a -- an oral hearing. The oral portion of a
 2 Hearing requires significant resources by Manitoba Hydro.
 3 It's probably safe to say it at least doubles the cost of
 4 a Hearing; that depends on the number of days, or course.
 5 But our experience is such, that Hearings, once they
 6 start, don't usually end within a -- a day, they become
 7 longer.

8 I think it's also fair to note that the
 9 last number of cost of gas applications have involved
 10 issues outside of the actual cost of gas matters. Those
 11 were just canvassed in the General Rate Application and
 12 I'm not sure that there's a great deal of benefit to
 13 review those again within a few months or even if it's
 14 twelve (12) months by the time it comes.

15 Mr. Saxberg also suggested that the nature
 16 of the rate increase was such that we should have an oral
 17 Hearing, and I think it's significant to note that in
 18 this Application, the relief that's requested by Centra
 19 for the typical residential customer results in a cost of
 20 ten (\$10) dollars per year.

21 With respect to the gas contract, while
 22 that's certainly a matter that we know the Board and
 23 Intervenors are interested in, it -- it, I think, lends
 24 itself very well to being reviewed in a written process.
 25 It's -- the -- the contract, itself, has been filed in

1 confidence with the Board. The gas cost consequences,
2 which are a matter of note in this Hearing, are, at this
3 point, forecast, so we'll be looking at them on a
4 forecasted basis. And, certainly, we would expect that
5 the Information Request process will be adequate to
6 address that.

7 I should also note, by way of the
8 timetable, that the proposed timetable includes two (2)
9 rounds of Information Requests, and while that's the case
10 in some -- in some of the past cost of gas applications,
11 it's not always the case. So, if the Board is going to
12 consider a -- an oral hearing, that perhaps it would be
13 worth looking at reducing the two (2) rounds of
14 Information Requests to one (1), rather than having two
15 (2) plus a -- an oral hearing, if that's the direction
16 that the Board chooses to go.

17 Finally, I think it's worth noting that
18 we've had some success recently on the gas side of the
19 business with written process, with the recent fixed-rate
20 application. That, of course, involved much more
21 philosophical issues and, I would submit, much more
22 difficult issues, and all of us, the PUB, the
23 Intervenors, and Centra, were able to successfully
24 canvass those issues relating to the offering of the new
25 fixed-rate service by Centra in writing.

1 The nature of the matters to be determined
2 in this Hearing are more mathematical, if you will. They
3 relate to balances of deferral accounts, gas costs, and a
4 gas cost forecast. They're certainly more streamlined
5 and I think lend themselves to a written process, so I'd
6 certainly encourage the Board to consider that, at this
7 point.

8 Subject to any questions you have for me,
9 I believe those are my comments this morning.

10 Oh, I'm sorry. I was to -- I -- we have
11 no objection to either the intervention of Just Energy or
12 CAC/MSOS. We will, of course, reserve the right to
13 comment on the budget once it's received.

14 THE CHAIRPERSON: Thank you, Ms. Murphy.
15 If you could all just give us a couple seconds here?

16

17 (BRIEF PAUSE)

18

19 THE CHAIRPERSON: Okay. This concludes
20 our pre-hearing conference. I want to thank the parties
21 for making the effort of attending today. Also, I'd to
22 thank Board staff, especially Mr. Singh, for making the
23 necessary preparation for today's conference, as well as
24 Board's counsel and advisors.

25 While the Board will deliberate further on

1 the timetable and hearing process, oral or written, the
2 Board heard no opposition to the requested intervention
3 of CAC/MSOS or Just Energy Manitoba L.P., therefore,
4 those parties will be approved as Intervenors and should
5 prepare their Information Requests for Centra as soon as
6 possible. And the Board will publish the approved
7 timetable soon.

8 We will deliberate on the matter, and we
9 will look forward to CAC/MSOS's draft budget in due time,
10 once CAC/MSOS is aware of what process we're going to be
11 following and what the timetable looks like.

12 So other than that, thanks. So, we stand
13 adjourned.

14
15 --- upon adjourning at 10:29 a.m.

16
17 Certified correct,

18
19

20 _____
21 Cheryl Lavigne, Ms.

22
23
24
25