Re:

CENTRA GAS MANITOBA

2013/114

## GENERAL RATE APPLICATION

Pre-Hearing

Before Board Panel:

Regis Gosselin - Board Chairman

Raymond Lafond - Board Member

HELD AT:

Public Utilities Board 400, 330 Portage Avenue Winnipeg, Manitoba March 1, 2013 Pages 1 to 22

2 APPEARANCES 1 2 Bob Peters )Board Counsel 3 4 Marla Boyd )Centra Gas 5 Brent Czarnecki ) 6 7 Brian Meronek, Q.C. )CAC/MSOS 8 Tomas Masi (np) ) 9 10 Sandy Boyd (np) ) Communications, 11 ) Energy and 12 ) Paperworkers Union 13 ) (CEP) Local 681 14 15 16 Nola Ruzycki (np) )Just Energy 17 18 Paul Kerr (np) )Shell Energy 19 20 21 22 23 24 25

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--- Upon commencing at 9:03 a.m. 1 2 3 THE CHAIRPERSON: Good morning. Welcome to the pre-hearing conference with respect to 4 Centra Gas Manitoba's 2013/'14 General Rate 5 6 Application. My name is Regis Gosselin, and I'm the Chair of the Public Utilities Board and will be the 7 Chair of the panel hearing the Centra's -- hearing 8 9 Centra's GRA. With me is Board member Raymond Lafond. 10 Centra filed its General Rate 11 Application on January 25th, two thou -- 2013. A 12 public notice of the GRA and this pre-hearing 13 conference was subsequently published in English and 14 French newspapers and served on the parties of record 15 at the last Centra GRA and the last Centra cost of gas 16 application. 17 The Board has reviewed Centra's 18 application and notes that Centra is seeking five (5) 19 main approvals: 20 Firstly, approval of an approximate 2.0 21 percent general revenue increase starting August 1st, 22 2013, which Centra says would generate a projected net 23 income of \$5 million for the '13/'14 fiscal year. 24 Secondly, approval of adjustments to 25 rates to reflect changes in forecast non-primary gas

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1 costs, effective August 1st, 2013.

Thirdly, approval of supplemental gas, transportation, distribution, sales and transportation rates, the basic monthly charge, the primary gas overhead rate, and the fixed-rate primary gas service program cost effective -- cost rate, effective August 1st, 2013.

8 Fourthly, final approval of the cost of 9 gas for the period from November 1st, 2010, to October 31st, 2012. And finally, approval of the disposition 10 to rate riders of the various non-primary gas purchase 11 12 gas variance accounts in other deferral account balances as of October 30th, 2012. In addition to 13 those I mentioned, Centra is seeking miscellaneous 14 15 other approvals, as set out in the application.

Before the Board can deal with the 16 17 substantive matters of Centra's application, it must 18 deal with procedural matters, and that is why we are 19 here today. The purpose of today's pre-hearing 20 conference is to hear from proposed Intervenors seeking 21 Intervenor status, together with deal -- together with 22 issues of scope and -- and also to receive submissions 23 as to timing.

I should note that the Board has
circulated a draft timetable for the GRA, of which

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everyone here should have a copy. The timetable allows 1 for two (2) rounds of Information Requests; it contains 2 proposed completion dates for the various milestones of 3 4 the hearing. The Board welcomes comments from proposed 5 Intervenors as well as from Centra respecting these 6 matters. 7 With that background, I will turn the microphone over to Board counsel, Mr. Bob Peters, to 8 9 seek to -- to speak to the suggested procedures for 10 this morning. Good morning. 11 12 OPENING COMMENTS BY MR. BOB PETERS: 13 MR. BOB PETERS: Yes, thank you. Good 14 morning, Mr. Chairman, Board member Lafond, ladies and 15 gentlemen. For the record, my name is Bob Peters, and 16 I am counsel to the Public Utilities Board in respect of Centra's 2013/'14 General Rate Application. 17 18 As the Chairman mentioned, there has 19 been a draft timetable, I believe from Centra, 20 circulated for the parties to consider at this 21 morning's hearing. And that timetable sets out the 22 various pre-hearing steps that need to take place 23 before the Board can commence an oral hearing. 24 The Board will note from the affidavit 25 of Ms. Giraldo-Gomez, the publication of the public

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notice has gone out, and the deadline for proposed 1 2 Intervenors to file Intervenor requests was Wednesday, February 27. And I can advise the Board that the Board 3 ha -- office has received a total of four (4) 4 5 Intervenor request forms, and the Board members should have copies of each of those four (4) in front of them. 6 The first is from the Consumers' 7 Association of Canada (Manitoba), represented by Mr. 8 9 Meronek, who the panel will be familiar with from the 10 asset portfolio review hearing that was conducted. 11 The second Intervenor request is from 12 Just Energy Manitoba Limited Partnership, a natural gas 13 marketer in Manitoba represented by Ms. Ruzycki. Ms. 14 Ruzycki is not in the hearing room today and nor is she expected today, so I'll take the liberty in a few 15 16 minutes of speaking on her behalf. 17 The third Intervenor request has come 18 from Shell Energy North America (Canada) Inc., 19 represented by Mr. Kerr. Likewise, I will speak on his 20 behalf in his absence today. 21 And the fourth Intervenor request form 22 has come in from the Communications Energy and Paper 23 Workers Union of Canada, Local 681, represented by Mr. 24 Sandy Boyd, who is not here, at least not as of yet. 25 So I'll take the liberty of speaking to his application

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for Intervenor status as well in a few minutes. 1 2 So as mentioned by the Chair, the Board has yet to rule on Intervenor status. And one (1) of 3 the purposes of this pre-hearing conference is to hear 4 5 from the parties as to why they seek Intervenor status 6 and the scope of their proposed interventions. The three (3) issues that nor --7 Intervenors normally speak to would be their reasons 8 9 for seeking Intervenor status, together with their 10 They want -- the Board would welcome any scope. thoughts on the scope of the GRA itself and then 11 12 certainly, importantly, the views of the Intervenors 13 with respect to the proposed timetable. 14 I will take the opportunity while I have 15 the microphone, Mr. Chairman, just to turn to the 16 Intervenor request form from Just Energy Manitoba 17 Limited Partnership, who is a retailer of natural gas 18 in Manitoba and claims to have an interest in all 19 aspects of the proceedings. As in previous occasions, 20 they're asking for Intervenor status. The Intervenor request form from Shell 21 22 Energy indicates that Shell has -- it -- sorry, it's 23 Shell Energy North America (Canada) Inc., and I often 24 abbreviate that as Shell Canada. They have an interest 25 including, but not limited to, the fixed-rate primary

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gas service program cost rates, as well as the change 1 in the rate-setting formula for that program requested 2 by Centra, where Centra wants to self-ensure the 3 volumetric and market price risk for each of the 4 5 offerings that they subsequently offer. 6 And as noted by Mr. Kerr on his 7 Intervenor request form, while he won't attend today, their participation is certainly to monitor the 8 9 proceedings and to -- to have the opportunity to be involved as it affects their interests. 10 11 The next Intervenor request form that I 12 want to bring to the Board's attention, in Mr. Sandy 13 Boyd's obse -- absence, is the Intervenor request form 14 on behalf of the Communications Energy and Paper 15 Workers Union of Canada, Local 681. And CEP 681 16 represents gas workers at Manitoba Hydro and Centra Gas 17 and are a major stakeholder in the reliable, safe 18 delivery of natural gas in Manitoba. And Mr. Boyd's 19 Intervenor request form on behalf of the union is filed 20 with the panel. 21 So with that and those comments, I 22 suggest that we turn to Mr. Meronek so he may speak on 23 behalf of his client, the Consumers' Association of 24 Canada (Manitoba). And once we have heard from Mr. 25 Meronek, turn to Ms. Boyd to obtain Centra's view on

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any concerns or issues that Centra has respecting the 1 Intervenors themselves, the scope, and/or the proposed 2 3 timelines. Thank you. 4 THE CHAIRPERSON: Good morning, Mr. 5 Meronek. 6 7 OPENING COMMENTS BY MR. BRIAN MERONEK: 8 MR. BRIAN MERONEK: Bonjour. The rest 9 of my submission will be in English. Thank you and 10 good morning to everybody. I ruined Mr. Rainke's day when he saw me in the hallway. He thought I'd moved to 11 12 Calgary, but I missed him too much. 13 We -- we are here -- I'm here. Μv 14 client, Gloria Desorcy, sends her regrets. She's laid 15 up with the flu; otherwise she would have been here. 16 And Thomas Masi, who the Board knows, is going to be 17 assisting me, but he's otherwise in a hearing today. 18 As you know, CAC has been involved in 19 GRA since God was a child. And we certainly were 20 integrally involved la -- the last time; it's Board 21 Order 129/'09. And at that time, we had submitted substantial evidence before the Board. We had engaged 22 23 four (4) experts; three (3) ended up -- one (1) ended 24 up testifying, two (2) ended up, I think, providing 25 written submissions, and one (1) was a consultant.

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1 And accordingly, since there hasn't been a GRA for some four (4) years, it certainly is 2 something that we're -- my client is certainly 3 interested in and wanting to be involved in. And 4 5 historically -- and -- and I think this time there are 6 several issues that -- that have to be fleshed out. 7 Unfortunately, we just got some of the material two (2) days ago and the initial filing in 8 9 February, so we really haven't had a chance to flesh 10 out all of the issues. But let me just go through some of the issues which we -- which will pique our 11 12 interest. 13 Firstly, there's the issue of the 14 writeoff of approximately \$77 million due to the IFRS. 15 Now, I understand from Mr. Rainkie that this -- the principles associated with that have been fleshed out, 16 17 to -- to a greater or lesser degree, in the Hydro 18 hearings, but there will have to be some assessment of 19 the impacts or non-impacts in this particular hearing. 20 Whether or not there's any duplication or not, I -- I 21 hope not. But it certainly will have to be addressed 22 in some way, shape, or form. 23 We cer -- certainly are interested in 24 the cost of service and rate of return methodologies 25 that are utilized, because that drives -- that drives

1 some of the revenue requirements.

2 One (1) of my favourite subjects is 3 depreciation studies. I've -- I've put my family to 4 sleep more often than not by discussing that with them 5 at the dinner table. But again, that's something that 6 has to be delved into.

7 Capital expenditures are always -- are 8 always looked at by our client, as is the DSM, as are 9 the OM&A expenses, which have gone up since the last go 10 around, and -- and we'll why to examine why.

We'll be interested in the cost allocation and rate design and, naturally, the terms and conditions of service and the gas supply and transporta -- transportation storage portfolio, particularly how the new capacity management reg -regime has gotten off the ground.

17 Lastly and -- and not troubling, but 18 something that we haven't got our head around, are --19 are just the plethora of Board directives that -- that 20 are in various states of completion.

And I under -- or I've seen from the -from the filings that Centra has about five (5) pages a five (5) page schedule of the directives, some of have been stated to be completed, some are stated to be ongoing, some haven't been undertaken.

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1 I tried to marry the directives -- or the orders from the last Board order with what Centra 2 It may be that I haven't looked hard enough 3 has done. or missed something, but it would appear that there's 4 5 some orders from the last Board Order 128/'09 that haven't been dealt with in this list. 6 7 So we're going to want to look at those, see what's missed, if anything, deal with those items 8 9 that are not completed, and find out why, and -- and with respect to those are completed, assess those 10 matters to see whether they've been satisfactorily 11 12 dealt with. So that's kind of an overview of what 13 14 our participation is going to be. I -- I -- it's 15 always fulsome. There are things that we -- we do pick our battles, so to speak, so there's some things that 16 we -- we don't -- we don't deal with. 17 18 And we're not -- I -- I think our role, 19 as I've said this before, is twofold. One (1) is to 20 critique and suggest alternatives where we disagree 21 and otherwise support Centra where we agree. So that 22 will be our continuing role. 23 It's too early in the game for me to be able to say right here how many experts we need. 24 The 25 last time, we had -- we engaged four (4), three (3) of

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whom, at least, are from Calgary. We engage a 1 regulatory accountant, Greg Matwichuk, who is well 2 familiar as -- with this Board, and -- and this Board -3 4 - he's appeared over the years as a witness. We may -we'll have somebody looking at the gas portfolio, 5 6 probably Mr. Stauft; whether he testifies or not, I don't know. 7 8 We'll be looking at the financial 9 aspects of the -- arising out of the last order as a result of the evidence of Mr. McCormick on behalf of 10 CAC to see what has been implemented by way of Board 11 12 order and whether or not there is a requirement for any 13 evidence in that regard. 14 And we engaged another consultant, Mr. 15 Oppenheim, to deal with DSM and the -- and the -- the 16 furnace program. Whether or not we -- we'll -- we'll 17 certainly have to determine what -- what's happened 18 there. But I think I'm stumbling to say I can't tell 19 you at this point in time, until I get the material 20 out, as to who's going to be testifying. But I'll expect there'll be at least two (2) experts. 21 22 And on that basis, I think I've gone 23 through the reasons and the scope. And I can defer --24 defer my comments with respect to timetable if it suits 25 the Board, or I can go ahead. I'm getting the nod from

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1 Mr. Peters, for the record.

I -- I looked at the timetable with some 2 It -- it's my understanding the Board has 3 amusement. been somewhat preoccupied as late as last night on 4 5 another matter, and has been preoccupied in other 6 matters before that. I am involved in a small matter called Bipole 3 before the Clean Environment 7 Commission, which is recommencing on Monday for -- till 8 9 March 14. 10 The suggestion that we have our first 11 round of Information Requests in a week is just -- it's just not doable. I haven't even been able to get the 12 13 material out to my consultants to have them assess it. 14 Having said that -- and I don't have a -15 - an alternative schedule, because I think last time we 16 kind of discussed it and went away and came back with 17 an agreed timetable. But what I would say is I think 18 we can probably, from my perspective, still start the 19 hearing in June, probably June 17, with crunching up some of the -- some of the other initiatives. 20 I note, for example, that Centra's been 21 22 -- is giving itself a -- a month, four (4) weeks to 23 reply to the First Round Information Requests. And I 24 think that -- I think there's fat there. And that 25 should be truncated. And on the front end, I think we

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should be given more time to -- to file a First Round 1 2 Information Request; probably another couple of weeks. 3 So by taking away from that First Round response by Centra and by delaying it by a week we can 4 5 accomplish, I think, to everybody's satisfaction 6 depending upon the Board's schedule, a workable schedule. But I think that has to be fleshed out to 7 some extent. And, of course, I don't know what the 8 9 Board's schedule is at the end of June. 10 But -- but clearly,, my main concern is 11 right off the hop that it's just not doable to -- to be 12 able to -- to assess and diligently or otherwise and --13 and provide informative and relevant Information 14 Requests by next week. 15 And that's -- that's all I have to say 16 for now. Thank you. 17 THE CHAIRPERSON: Thank you. 18 MR. BRIAN MERONEK: Just before -- I'm 19 sorry, I just -- one (1) last thing. And -- and it's 20 all predicated too on the -- the length of the hearing. 21 We -- we know nothing about that. And I -- I -- you 22 know, without -- when you throw something out and say, 23 This is very preliminary, people latch onto it in any 24 event. But I'm -- I'm thinking that -- that the 25 hearing, from what I can see, shouldn't last longer

17 than eight (8) to ten (10) hearing days. 1 2 3 (BRIEF PAUSE) 4 5 THE CHAIRPERSON: Thank you, Mr. 6 Meronek. I call upon Ms. Boyd, I believe. Good 7 morning. I don't think we've ever met, so . . . 8 MS. MARLA BOYD: Good morning. 9 THE CHAIRPERSON: Could you introduce 10 the other -- other participants from Centra, please? 11 12 OPENING COMMENTS BY MS. MARLA BOYD: 13 MS. MARLA BOYD: Certainly, I will. 14 Thank you and good morning to you, Mr. Chairman and 15 Board member Lafond. For me it's good morning, and for 16 some in my panel it's good morning again, so . . . 17 You are familiar with Mr. Rainkie, who 18 is the vice president of Finance and Regulatory. With 19 me as my co-counsel is Brent Czarnecki. Behind me is 20 Greg Barnlund, who is the Regulatory Services 21 Department manager. And with him and our variable assistant is Natalia Giraldo-Gomez, and she is the 22 23 regulatory coordinator who will be responsible for this 24 application. 25 In terms of our comments with respect to

the Intervenor applications, Centra has no objection to 1 any of the Intervenor applications that have been filed 2 this morning. We do note, of course, that Mr. Meronek 3 has left a few blanks in his application, and we just 4 5 want to reserve the right to comment, should we need 6 to, on experts that might be retained and on the budget 7 when it's filed. But otherwise, we have no concerns. 8 If I could address the timetable, I 9 would like to do that. Centra filed the timetable with 10 the view to starting a hearing in June and finishing, hopefully, before too much into July. So -- so that 11 12 was the goal there, and I understand that the Board has 13 some desire as well to finish the hearing in June. 14 The timetable is somewhat aggressive as 15 it was put forward, but I do need to note that although Mr. Meronek think tha -- thinks there's some fat in the 16 17 time that's been provided for the filing of First Round 18 Information Requests, it has been our experience that 19 the number of Information Requests is increasing. And 20 with the increasing Information Requests comes the need 21 for additional time for the responses to be made. 22 If -- if the scope of the hearing is 23 restrained to the matters that are in the application and deal with the test year that's at hand, then we 24 25 hope that with the reasonable number of IRs that we can

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accomplish that in less than four (4) weeks. But our
 experience has been that we actually need longer than
 four (4) weeks, given the number of IRs that we've been
 seeing.

5 And I should also note that Centra has 6 already trimmed the time that they would normally have 7 for the response to Second Round IRs. Rather than three (3) weeks, which has been our -- our typical 8 9 response time, we're looking at two (2) weeks there 10 plus the weekend. So, again, our time is very tight. 11 There are a number of matters that have 12 been canvassed very thoroughly on the Hydro side of the 13 business, finishing as recently as yesterday, and we'll

14 want to be very cautious that those aren't duplicated.
15 And we'll -- we'll be certainly keeping an eye on that,
16 and we trust that the Board will have the same interest
17 that those matters not be rehashed again in the -- the
18 gas application.

So we're certainly happy to take the timetable away and to discuss it among counsel. And we generally have good success in coming to an agreement, and I -- I trust we'll be able to do that here as well. Thank you. THE CHAIRPERSON: I'll turn it back to Mr. Peters.

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1 DISCUSSION:

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MR. BOB PETERS: Well, thank you, Mr. 2 In terms of the objectives that you had set 3 Chairman. out in your opening comments, Sir, I think the 4 5 Intervenors have been identified. Their scopes have 6 been as written in their applications and as spoken to by Mr. Meronek. And I understand from Ms. Boyd's 7 comments there are no objections to any of the 8 9 Intervenors' participation, although Centra still wants 10 to reserve the opportunity to make any comments on any experts and budgeting issues that may arise respecting 11 12 CAC's intervention. 13 The contentious aspect of the timetable 14 is one (1) that, if the Board is comfortable, then I 15 would be prepared to work with counsel and see if we 16 can come up with a timetable to present to the Board in 17 short order that would be a consensus timetable and 18 address the concerns that have been raised by both Mr. 19 Meronek and Ms. Boyd. 20 And if the Board is satisfied with that 21 approach, then I believe the matters for which we

23 prepared to meet right after the hearing with Mr.

gathered today then have been attended, and I'm

24 Meronek and Ms. Boyd if we can try to work through some 25 calendar dates. Thank you.

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1 (BRIEF PAUSE) 2 3 THE CHAIRPERSON: From my perspective, I think that, frankly, it's quite acceptable to this 4 5 panel that you would -- you would work with the 6 counsels to -- to finalize the -- the schedule. I think it makes a lot of sense. 7 8 And I would agree with Centra Gas that 9 the -- that the panel has had a -- a pretty exhaustive examination of -- already of -- of matters such as IFRS 10 and depreciation and so on. So I would -- I would not 11 12 want to go over some of the plowed ground already --13 some of the ground that has been plowed already. So I think we have to be mindful of that. 14 15 And I guess I am anxious to try to get 16 the -- the work completed, the hearing completed, by the end of July, so -- oops, pardon me, the end of June 17 18 so that we can all enjoy our summer holi -- summer 19 period. 20 And do you have any comments, Mr. 21 Lafond? If not, that's it for the panel. I believe 22 that represents the end of today's proceedings, so I 23 appreciate your attendance here today and we will 24 hopefully have a resolution to -- to both the scope and 25 the schedule in -- in the next few days.

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Thank you very much. Have a good day. 2 Have a good weekend. 4 --- Upon adjourning at 9:29 a.m. 8 Certified Correct, 13 Cheryl Lavigne, Ms. 

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