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2 MANITOBA PUBLIC UTILITIES BOARD  
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45  
6 Re: CENTRA GAS  
7 COST OF GAS APPLICATION  
89  
10 Before Board Panel:11 Graham Lane - Board Chairman  
12 Monica Girouard - Board Member  
13 Mario Santos - Board Member  
1415  
16  
17 HELD AT:18 Public Utilities Board  
19 400, 330 Portage Avenue  
20 Winnipeg, Manitoba  
21 September 17th, 2004  
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24  
25

## APPEARANCES

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1 --- Upon commencing at 8:03 a.m.

2

3 THE CHAIRPERSON: Good morning, everyone.  
4 Mr. Peters, do you want to let us know where we are? And I  
5 believe we're on to Mr. Saxberg and return to Panel Number 2.

6

7 (PANEL RESUMES)

8

9 MR. BOB PETERS: You could only wish. I hope  
10 that's not your fervent hope. Actually, Mr. Chairman, the  
11 process has been a little -- a little choppy along the way to  
12 accommodate various issues.

13 I had hoped this morning that I would finish  
14 up on an area generally of terms and conditions of service  
15 with this Panel and then certainly following my completion  
16 with this Panel, Mr. Saxberg would have questions of this  
17 Panel followed by, perhaps, Ms. Melnychuk if she has any  
18 further questions and also Mr. Carroll and then that will  
19 bring the evidence to a close. So, we are on target and I  
20 hope we can get there.

21 THE CHAIRPERSON: Set yourself loose.

22

23 RE-CROSS-EXAMINATION BY MR. BOB PETERS:

24 MR. BOB PETERS: Thank you. Good morning,  
25 Ms. Derksen. From the evidence that you gave in your direct

1 to Ms. Murphy, seemingly ages ago, I took it you were the  
2 person responsible for the terms and conditions of service  
3 issues that are before the Board?

4 MS. KELLY DERKSEN: Most of them, yes.

5 MR. BOB PETERS: All right. I just want to  
6 go through a few of them with you. In terms of the updated  
7 territories that are served, will the Board take your  
8 evidence to mean that you are trying to now convert your  
9 territories for Centra into what the territories were and are  
10 for the electric side of the business?

11 MS. KELLY DERKSEN: Yes, generally I think  
12 that's the case.

13 MR. BOB PETERS: A change in name only?

14 MS. KELLY DERKSEN: Yes, sir.

15 MR. BOB PETERS: All right. In terms of  
16 amendments to the WTS and ABC special terms and conditions of  
17 service, as I understand your materials, you want all classes  
18 to now have access to Western Transportation Service?

19 MS. KELLY DERKSEN: Mr. Peters, all classes  
20 already have access to the WTS service so we are just  
21 updating the terms and conditions of service to reflect that  
22 fact.

23 MR. BOB PETERS: Perhaps better worded than I  
24 did, Ms. Derksen. You want the terms and conditions to catch  
25 up the factual reality of -- of where the Corporation is?



1 MS. KELLY DERKSEN: Yes, sir.

2 MR. BOB PETERS: All right. And on the  
3 agency billing and collecting service, can you just briefly  
4 explain that to the Board?

5 MS. KELLY DERKSEN: The ABC Services, in --  
6 in conjunction with the WTS service where Centra provides the  
7 billing on behalf of the broker, so when a customer signs up  
8 with a broker, the customer will still get a bill from Centra  
9 with the primary gas line item reflecting the broker's cost  
10 or the -- the negotiated rate between the customer and the  
11 broker.

12 MR. BOB PETERS: Does the broker's name  
13 appear on the Centra bill?

14

15 (BRIEF PAUSE)

16

17 THE CHAIRPERSON: Ms. Melnychuk may be able to  
18 help us, Mr. Peters.

19 MS. KAREN MELNYCHUK: If you'd like.

20 MS. KELLY DERKSEN: Certainly. Our name  
21 appears beside the primary gas line item on the information  
22 that Mr. Saxberg has provided us here which is a copy of the  
23 Centra bill and so I presume that the broker's name would  
24 appear -- I guess I'm wrong. I'm getting a no from the  
25 audience.

1 MR. BOB PETERS: All right. Recognizing the  
2 Board wants the best and correct evidence, perhaps this is a  
3 matter that you may want to discuss at the break and then  
4 just clarify that on the -- on the record for the Board?

5 MS. KELLY DERKSEN: I will certainly do that.

6 MR. BOB PETERS: Just so again, we're on the  
7 agency billing and collection matters, when -- when WTS was  
8 introduced and agency billing and collection services were  
9 introduced, it was mandatory for Centra to do the billings  
10 for the LGS class and the SGS class; is that correct?

11 MS. KELLY DERKSEN: It was mandatory only up  
12 until a certain period which I believe was May 1st, 2001.

13 MR. BOB PETERS: And the reason it was  
14 mandatory is because that's where the state of technology was  
15 in terms of the billing system?

16 MS. KELLY DERKSEN: Yes, sir.

17 MR. BOB PETERS: And it was envisioned that  
18 if a broker wanted to directly bill their customers for the  
19 primary gas portion of the gas bill, then that opportunity  
20 would be provided to the brokers?

21 MS. KELLY DERKSEN: Yes.

22 MR. BOB PETERS: And that opportunity is now  
23 available to brokers if they so choose; is that correct?

24 MS. KELLY DERKSEN: That's true.

25 MR. BOB PETERS: And am I correct that only

1 one (1) broker, in fact, does send out their own bills for  
2 primary gas?

3

4

(BRIEF PAUSE)

5

6

MS. KELLY DERKSEN: Mr. Peters, we'd have to  
7 check on that as well.

8

MR. BOB PETERS: Okay, I think that would be  
9 helpful to the Board if you could back to us but we have an  
10 Undertaking on that matter.

11

12 --- UNDERTAKING NO. 17: Confirm the number of brokers who  
13 direct bill customers for primary  
14 gas.

15

16 CONTINUED BY MR. BOB PETERS:

17

MR. BOB PETERS: When Centra bills primary  
18 gas supplied by a direct purchase supplier, there's a charge  
19 for that, is there not?

20

MS. KELLY DERKSEN: Can you repeat your  
21 question to me, please?

22

MR. BOB PETERS: Yes. Centra charges twenty-  
23 five (25) cents per customer, per month to provide ABC  
24 service?

25

MS. KELLY DERKSEN: Yes, sir.

1 MR. BOB PETERS: And who pays the twenty-five  
2 (25) cents per customer per month; is that charged to the  
3 customer or is that charged to the broker?

4 MS. KELLY DERKSEN: It's charged to the  
5 broker.

6 MR. BOB PETERS: And what you're asking for  
7 in the revision of these terms and conditions is that you  
8 want the twenty-five (25) cents to show up as a tariff item  
9 to be paid by the broker?

10 MS. KELLY DERKSEN: Yes, sir. The twenty-  
11 five (25) cent fee was approved by the Board a couple of  
12 years ago and we're now just looking to put that information  
13 in the terms of conditions of service document.

14 MR. BOB PETERS: And if I recall a couple of  
15 years ago, the twenty-five (25) cent fee was -- was not a  
16 cost based fee, it was a nominal charge to use my words?

17 MS. KELLY DERKSEN: Yes, sir.

18 MR. BOB PETERS: And is that because Centra  
19 did not ever go -- cost that down to a finite level or it was  
20 more work to cost it than you would get out of the resultant  
21 benefit from it?

22 MR. DARREN RAINKIE: Mr. Peters, I think when  
23 we looked at that the Board was looking at us to calculate  
24 the incremental costs. Of course, we're already to -- to  
25 develop a cost-based fee but when we looked at that issue we

1 said, well, all we're doing is putting in our line item  
2 literally on the bill that we're already sending out so  
3 there's very little, if any, incremental cost.

4                   So, what we decided to do, given that the  
5 Board wanted a fee for this is put a nominal charge in that  
6 would, of course, give us some money to cover off some of our  
7 costs of printing and sending out bills.

8                   MR. BOB PETERS: Do I take from that answer,  
9 Mr. Rainkie, that the -- it wasn't the intention of the  
10 Utility to charge what would be, in essence, the value of  
11 someone else sending out the bill but rather the incremental  
12 expenses incurred by the Utility to do it for somebody else?

13                   MR. DARREN RAINKIE: I'm not sure what you  
14 asked me, Mr. Peters.

15                   MR. BOB PETERS: Let me ask it this way: If  
16 -- if a direct purchase supplier had to send out their own  
17 bills for primary gas would you expect that cost to be  
18 greater than or less than twenty-five (25) cents a bill, per  
19 month, per customer?

20                   MR. DARREN RAINKIE: I'm not sure we could  
21 answer that, that would depend on what the broker was using  
22 in terms of a billing system or if they were using, you know,  
23 some kind of a system that was already in place through one  
24 of the credit card companies or financial institutions.

25                   I'm not sure what their cost would be. The

1 issue here is the Board was wondering if we could determine  
2 an incremental cost related to this fee and we said we  
3 couldn't find the incremental costs but we would put a  
4 nominal fee in place to cover off some of our embedded costs,  
5 if you like, of -- of billing customers.

6 MR. VINCE WARDEN: We do know, of course,  
7 that the cost of postage alone would be more than what we're  
8 charging to -- to the brokers.

9 MR. BOB PETERS: Thank you, Mr. Warden. And,  
10 Mr. Warden, do I take from some of the other evidence that  
11 you've given throughout this Hearing that Centra is involved  
12 in facilitating the business of the brokers; do you -- do you  
13 see that as being accurate?

14 MR. VINCE WARDEN: We work with --  
15 collaborate with the brokers. "Facilitate the business"; I'm  
16 not quite sure I would describe it that way.

17 MR. VINCE WARDEN: When you say you "work  
18 with and collaborate with the brokers"; can you give some  
19 specific examples to the Board of what you're thinking of in  
20 that -- in those areas?

21 MR. VINCE WARDEN: Well, within the gas  
22 supply division of Manitoba Hydro we do have a broker  
23 relations area and those people are in virtually day-to-day  
24 contact with the brokers on any issues that arise with  
25 respect to the -- the services, the customers that are

1 transferring back and forth between utility and -- and the  
2 brokers.

3                   So, we try to keep the lines of communication  
4 open as -- as best we can.

5                   MR. BOB PETERS:    If a customer phones your  
6 customer service department and said that they're tired of  
7 their gas rate jumping around every three (3) months would  
8 your customer service people advise them that they could  
9 investigate getting their gas supplied by a broker?

10                  MR. VINCE WARDEN:   Yes.  Our customer service  
11 area is careful about not recommending either utility service  
12 or broker service but they do advise customers as to what  
13 options are available to them.

14                  MR. BOB PETERS:    And when you said to the  
15 Board that you have a broker relations group in the gas  
16 supply area; do you know how many people are involved in that  
17 area?

18                  MR. VINCE WARDEN:   Yes, I think it's  
19 approximately five (5); I'll just confirm that.

20                               Yes, five (5) people.

21                  MR. BOB PETERS:    And, can you tell the Board  
22 whether Centra is reimbursed for the costs for those five (5)  
23 people?  Let me start off by saying:  Are those five (5)  
24 people dedicated full time to -- to broker relations matters  
25 to the best of your knowledge?

1 (BRIEF PAUSE)

2  
3 MR. VINCE WARDEN: We would estimate eighty  
4 (80) to 90 percent of their time is involved in relations  
5 with brokers.

6 MR. BOB PETERS: Can you tell the Board  
7 whether Centra is reimbursed for the costs of these broker  
8 relations staff?

9 MR. VINCE WARDEN: Yes, well the costs would  
10 all be reimbursed to Centra through the distributions rates  
11 that we -- we charge. So, all -- all customers would share  
12 in those costs.

13 MR. BOB PETERS: All customers including  
14 broker customers as well as system supply customers?

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

16 MR. BOB PETERS: Can you explain to the Board  
17 why it is that the costs, specifically for direct purchase  
18 are borne by system supply customers?

19 MR. DARREN RAINKIE: Mr. Peters, maybe I can  
20 handle that given that that was a 1999 hearing. I was  
21 probably one (1) of the only Panel members that was in the  
22 back row at that. But a -- a policy decision was made at  
23 that point that offering direct purchase was offering choice  
24 and that all customers benefit from the choice such that all  
25 customers should -- should pay for that choice.



1                   We could have went a different way. We could  
2 have said, you pay for the specific choice that you select,  
3 but that would have meant a bit of a different rate structure  
4 than what we are proposing.

5                   So, it was essentially a policy issue where we  
6 -- we left the majority of our costs of providing primary gas  
7 supply or system supply in the distribution rate and we also  
8 put the costs of the broker activities in that same  
9 distribution rate. So, I think both customers are paying for  
10 -- for each other.

11                   But the policy was, choice provides value to  
12 customers so that all customers should pay a pro rata share  
13 of that total pot of costs -- both system supply and broker  
14 supply.

15                   Like I said, we could have went the other way  
16 and said, okay, depending on what choice you select, we could  
17 have a specific broker-WTS fee that would have -- that would  
18 have collected those costs and we could have structured our  
19 -- our costs a little differently but that's not the way we  
20 went back in 1999.

21                   MR. BOB PETERS: Does the Board understand  
22 from that answer, Mr. Rainkie, that costs to provide service  
23 to those customers who purchase gas from Centra and not from  
24 a broker are also being charged through in some -- in the  
25 distribution rates and paid for by the direct purchase

1 customers?

2 MR. DARREN RAINKIE: I would say some of the  
3 indirect costs -- I think we went over this at the General  
4 Rate Application. Ms. Derksen can correct me if I'm wrong  
5 but I there's approximately \$1 million of what I would say  
6 are very direct costs of providing primary gas supply which  
7 are charged to the primary gas rate, but -- but some of -- I  
8 would say -- the overhead costs of providing system supply  
9 are in the distribution rate, which is only fair, otherwise  
10 we would have -- we would have the system supply customers  
11 paying the WTS costs and not vice versa, so ...

12 MR. BOB PETERS: All right. Thank you for  
13 that answer. Ms. Derksen, the request for the change in the  
14 terms and conditions incorporates a request that -- that  
15 Centra be provided with a -- with an electronic copy of the  
16 Agency Agreement. Is that correct?

17 MS. KELLY DERKSEN: That's correct, sir.

18 MR. BOB PETERS: Why does Centra need an  
19 electronic copy?

20

21 (BRIEF PAUSE)

22

23 MS. KELLY DERKSEN: To my understanding, Mr.  
24 Peters, it just allows -- facil -- facilitates a quicker  
25 receipt of the information so that we can process it

1 quicker.

2 MR. BOB PETERS: When you say, "electronic  
3 copy," Ms. Derksen, is that the same as a faxed copy or is it  
4 something different?

5

6

(BRIEF PAUSE)

7

8 MS. KELLY DERKSEN: I think that contemplates  
9 either a fax or -- or an e-mail.

10 MR. BOB PETERS: And if it was e-mail -- I'm  
11 just trying to envision in my limited technological mind, Ms.  
12 Derksen, is this an attachment to an e-mail; is that what it  
13 is?

14 MS. KELLY DERKSEN: You could scan it in.  
15 You could scan in the form in a -- using the scanner and  
16 attach it with a PDF file.

17 MR. BOB PETERS: Is there -- is there an  
18 actual electronic form that somebody can just type in the  
19 missing information and -- and send that in or is it a  
20 document that has to be created by the broker and then sent  
21 to Centra?

22

23

(BRIEF PAUSE)

24

25 MS. KELLY DERKSEN: Presumably, what happens

1 at the customer location is that when a broker approaches a  
2 customer at their home there would have to be an application  
3 filled out by the customer and either that information could  
4 be scanned and sent electronically or -- with the signature  
5 or it could be faxed.

6 MR. BOB PETERS: Thank you, Ms. Derksen. The  
7 credit rating that you require for brokers participating in  
8 the WTS service is a -- is it "B" double plus or "B" plus  
9 plus or greater?

10 MR. DARREN RAINKIE: Mr. Peters, I think if  
11 we look at page 5 of Tab 9 it's "B" plus plus. Depends what  
12 rating agency, I guess, you're looking at because they have  
13 -- they have different ways of accomplishing the same  
14 objective.

15 MR. BOB PETERS: And all of your brokers have  
16 that rating do they, Mr. Rainkie?

17 MR. DARREN RAINKIE: Mr. Peters, I would have  
18 to check on that. Unfortunately, we have the wrong file  
19 numbers here --

20 MR. BOB PETERS: All right.

21 MR. DARREN RAINKIE: -- in our very way of  
22 carefully crafting this. Ms. Stewart was going to answer  
23 these questions because she, of course, is the manager of the  
24 area.

25 But if -- if you're interested in it I think

1 we can -- we can find that out.

2 MR. BOB PETERS: Well, you confirm to the  
3 Board then, through an undertaking, that everyone of the  
4 brokers that -- to whom you provide WTS service meets that  
5 requirement?

6 MR. DARREN RAINKIE: Maybe what I could do is  
7 take it subject to check because I think that's our rules and  
8 if -- if that's not the case, I could let you know.

9 MR. BOB PETERS: Thank you. That -- I'd  
10 accept that, Mr. Rainkie.

11

12 --- UNDERTAKING NO. 18: Confirm to the Board that  
13 everyone of the brokers you  
14 provide WTS service is "B" plus  
15 plus or equivalent rated.  
16

17 CONTINUED BY MR. BOB PETERS:

18 MR. BOB PETERS: In terms of the labour  
19 rate, Ms. Derksen, as I understand it, Centra charges  
20 presently fifty-five dollars (\$55) an hour for its personnel  
21 to do -- to do labour at customer premises?

22 MS. KELLY DERKSEN: Yes, sir.

23 MR. BOB PETERS: And as I read your  
24 Application you want to take the dollar amount out and leave  
25 it -- leave it undetermined, that is, make it a various --

1 sorry, a variable labour rate that would be determined based  
2 on the nature of the work?

3 MS. KELLY DERKSEN: Yes, sir, that's our  
4 proposal.

5 MR. BOB PETERS: Would customers know in  
6 advance what you're proposing to charge them for the specific  
7 task?

8 MS. KELLY DERKSEN: Yes, sir. Any time a  
9 customer calls us up we would have to look at their  
10 individual circumstance because, of course, that will dictate  
11 not necessarily the rate that we charge but certainly the  
12 total quantum of the --of the bill.

13 So, in addition to providing information as to  
14 the hourly fee, we would provide an estimate for the total  
15 cost of the service including materials.

16 MR. BOB PETERS: Can you give the Board an  
17 example of the range of these labour rates that you may  
18 charge?

19 MS. KELLY DERKSEN: We've provided some  
20 already in an information request. It's -- so, if I could  
21 turn you to that particular information request.

22 MR. DARREN RAINKIE: Mr. Peters, just while  
23 we're -- we're in a bit of a waiting period here, I -- Mr.  
24 Sanderson reminded me on that broker credit rating issue  
25 that, indeed, it is on that same page that I referred you to,



1 primary gas line item in brackets we say "WTS" and below it  
2 says that, "your primary gas is supplied by..." whatever the  
3 broker's name is. So it does appear, not particularly on the  
4 line item, but in the text below.

5 MR. BOB PETERS: It doesn't appear where  
6 Centra's name appears on system supplied customers but it  
7 appears somewhere else on the bill?

8 MS. KELLY DERKSEN: Yes, sir, right beside  
9 the primary gas name for broker/customers it says WTS rather  
10 than Centra.

11 MR. BOB PETERS: And it says WTS, rather than  
12 the name of the broker?

13 MS. KELLY DERKSEN: Yes, sir.

14 MR. BOB PETERS: All right. I think that was  
15 the quickest turnaround on undertaking, Ms. Derksen, in this  
16 hearing so we'll -- we'll remember that.

17 You were going to though when we were -- where  
18 we were was we were looking at the cost based rates and as I  
19 understand your request is you -- you don't want to specify  
20 fifty dollars (\$50) an -- fifty-five dollars (\$55) an hour  
21 labour rates but you want to make those cost-based rates  
22 depending on the nature of the work that you're performing?

23 MS. KELLY DERKSEN: Yes, sir, that's true.

24 MR. BOB PETERS: And -- and the range of  
25 labour rates was what?



1 MS. KELLY DERKSEN: We have responded to an  
2 information request CAC/Centra 22. And we provide a list of  
3 different services that we provide and the activity rates  
4 associated with them.

5 Of course, this is not going to be a  
6 comprehensive document because it would -- there's many, many  
7 services that we could provide so we're just providing an  
8 example of typically what kinds of services that we provide.

9 MR. BOB PETERS: Okay, I'll accept that  
10 clarification then. These new labour rates are costed  
11 according to Manitoba Hydro's full absorption costing  
12 processes?

13 MS. KELLY DERKSEN: Yes, sir.

14 MR. BOB PETERS: Can you explain to the  
15 Board, if you're changing the labour rate depending on the  
16 nature of the work performed, why are you not changing the  
17 fees for the furnace safety check which I think is being left  
18 at fifty dollars (\$50)?

19

20 (BRIEF PAUSE)

21

22 MS. KELLY DERKSEN: That particular cost is  
23 perhaps a bit controversial. A number of years ago, maybe  
24 five (5) or more years ago, we dealt with this particular  
25 type of issue. Because these types of services can be

1 provided in the competitive market through heating dealers,  
2 we had set that particular rate through some hearings -- or a  
3 hearing and so we opted not to change that particularly  
4 because heating dealers could provide the same services.

5 MR. BOB PETERS: I'm not clear on that  
6 answer, Ms. Derksen. Can heating dealers provide that same  
7 service for less money or would they pay more if they used a  
8 heating dealer?

9 MS. KELLY DERKSEN: I'm not -- I'm not sure  
10 as to the costs of providing those types of services but it  
11 may very well be different than what Centra is providing.

12 MR. BOB PETERS: Is the furnace safety check  
13 based on a cost-based rate?

14 MS. KELLY DERKSEN: It was determined a  
15 number of years ago. So, presumably at the time that it was  
16 created it was based on some costing methodology but if we  
17 were to look today -- to look at today's costs and using  
18 today's Manitoba Hydro costing structure, it likely would be  
19 outdated as well.

20 MR. BOB PETERS: It would likely be too low?

21 MS. KELLY DERKSEN: I'm hazarding a guess but  
22 I -- I think that's probably an accurate statement.

23 MR. BOB PETERS: In terms of the re-  
24 inspection or the inspection and then re-inspection fees that  
25 are charged on residential appliances, that amount is going

1 to stay at thirty-five dollars (\$35) as well?

2 MS. KELLY DERKSEN: Yes, sir. There's no  
3 proposed change to that.

4 MR. BOB PETERS: Is that a service that can  
5 be offered in the competitive market?

6 MS. KELLY DERKSEN: I believe so. Yes, sir.

7

8 (BRIEF PAUSE)

9

10 MR. BOB PETERS: On the standard pressure and  
11 temperature terms and conditions, is it correct that you are  
12 now asking the Board to amend the terms and conditions, so  
13 that you can use actual base temperature and pressure to be  
14 incorporated into the terms and conditions?

15 MR. GREG BARNLUND: I believe the amendment  
16 that we're proposing is to clarify the terms and conditions  
17 to state the base pressure and temperature as 14 -- the  
18 equivalent of 14.73 psi and 60 degrees Fahrenheit in the  
19 description of a cubic metre of natural gas.

20 MR. BOB PETERS: And why do you use those  
21 figures, Mr. Barnlund?

22 MR. GREG BARNLUND: We would use those  
23 figures because those are the values that are embedded in our  
24 billing system and reflected in our metering systems, in  
25 accordance with the Electricity and Gas Measurement Act and

1 regulations.

2 MR. BOB PETERS: Thank you. Ms. Derksen, the  
3 -- when you deal with other services in the terms and  
4 conditions -- I just want the Board to be clear, because I  
5 think there was a change made in the Interrogatory process,  
6 presently, all SGS customers pay for parts that are provided  
7 when service is performed on safety inspections?

8 MS. KELLY DERKSEN: Yes, only related to  
9 safety inspections and the SGS includes both the residential  
10 customer and the commercial customer in the SGS class.

11 MR. BOB PETERS: All right. So -- so, you're  
12 saying the LGS and the SGS pay for the parts only when  
13 there's a safety inspection?

14 MS. KELLY DERKSEN: No, sir, I'm saying that  
15 the commercial customers in the SGS class pay for the cost of  
16 materials only, as it relates to safety related repairs.

17 MR. BOB PETERS: And as a result of the  
18 proposed amendments for the SGS class, will there be any  
19 responsibility to pay labour rates?

20 MS. KELLY DERKSEN: No, sir, we're -- our  
21 proposal was amended partway through the Application and we  
22 are suggesting that that remain the status quo, which is all  
23 SGS customers, whether you are a residential or a commercial  
24 customer in that class, would only pay for the cost of the  
25 materials.

1 MR. BOB PETERS: Can you explain to the Board  
2 why -- why you want to not charge labour on this service?

3 MS. KELLY DERKSEN: That's existing in the  
4 terms and conditions today, and that was determined a number  
5 of years ago, and approved by the PUB.

6 MR. BOB PETERS: Other class -- I'm sorry, go  
7 ahead.

8 MS. KELLY DERKSEN: And I'm just going to  
9 add, I mean, it is a safety related issue and we want to  
10 encourage customers to come to the company if they have any  
11 safety related concerns.

12 And I think that was probably one (1) of the  
13 reasons that we propose not to bill the labour -- the labour  
14 fee associated with safety related issues.

15 MR. BOB PETERS: And other classes would pay  
16 then, both parts and labour?

17 MS. KELLY DERKSEN: Yes, sir.

18 MR. BOB PETERS: Even if it was a safety re-  
19 inspection?

20 MS. KELLY DERKSEN: Yes, sir.

21 MR. BOB PETERS: Wouldn't the same method --  
22 or the same rationale apply for those classes, that if they  
23 have a safety concern, you want them to come forward as  
24 quickly as possible, without being concerned about paying  
25 additional amounts on account of labour?

1 (BRIEF PAUSE)

2  
3 MR. VINCE WARDEN: Subject to check again,  
4 Mr. Peters, I believe we only would charge for routine safety  
5 inspections. If there was an emergency, however, a safety  
6 emergency, there would be no charge for that -- for that  
7 service.

8 MR. BOB PETERS: All right. Thank you, Mr.  
9 Warden, for that clarification.

10 In terms of the reinstallation policy, Ms.  
11 Derksen, I know you addressed this in your direct evidence  
12 with Ms. -- Ms. Murphy, but as I understand it, there are  
13 situations where services that you have out into the  
14 community are abandoned by the former customer?

15 MS. KELLY DERKSEN: Yes, sir, there are  
16 situations where a customer decides that they no longer need  
17 or require the natural gas service.

18 So, in certain circumstances, we will go out  
19 upon the customer's request and remove all of the -- all of  
20 Centra's equipment off of their property including meters,  
21 regulators and any service line. And so we're proposing to  
22 add service line to the terms and conditions of service to  
23 recognize that in -- in many cases we will remove the service  
24 line.

25 MR. BOB PETERS: Is that line removed only on

1 request by the customer or is that done as a matter of  
2 course?

3 MS. KELLY DERKSEN: It's a decision -- well,  
4 I think there's a -- there's a couple of issues.

5 First, if a custo -- if the customer is  
6 adamant that they do not want the service line on the  
7 property we will remove it at the customer's request.

8 Secondly, if the customer is not adamant about  
9 that, Centra will make a determination whether we keep the  
10 service line on the property or if we remove it. And I think  
11 it has to do with the age of that -- that pipeline and safety  
12 related issues and so forth.

13 MR. BOB PETERS: If the customer, after  
14 having the service abandoned and removed wants to activate  
15 gas supply again, who pays and when?

16 MS. KELLY DERKSEN: Currently, under our  
17 Terms and Conditions of Service if a customer calls us up and  
18 says, we no longer want service, come and remove the  
19 equipment off of our property and then say, within a five (5)  
20 year time period that, yes, indeed, they do want that  
21 equipment on the property and we have to go and reinstall it  
22 the customer is responsible for those costs.

23 The proposal that we are making today is if  
24 the service line also gets removed at the time of the  
25 abandonment, we want an opportunity for the customer to be

1 responsible for that cost if they request that service line  
2 to be reinstalled within a five (5) year time period.

3 MR. BOB PETERS: If it's after the five (5)  
4 year time period, you're treating this the same as a -- as a  
5 new customer with a new home?

6 MS. KELLY DERKSEN: Yes, sir.

7

8 (BRIEF PAUSE)

9

10 MR. BOB PETERS: In the event that the  
11 property in question is sold to a third party who then wants  
12 gas, is there a -- a reinstallation charge?

13 MS. KELLY DERKSEN: No, sir. They would be  
14 treated as any new customer on the system and presumably, you  
15 know, some type of feasibility is run and there is a certain  
16 amount of credit that the customer receives.

17 So, in many cases, customers do not pay for  
18 the installation of those types of services.

19 MR. BOB PETERS: Ms. Derksen, the western  
20 buy/cell service is no longer available to any direct  
21 purchase customers, is it?

22 MS. KELLY DERKSEN: That's correct.

23 MR. BOB PETERS: And so your request on the  
24 amended terms and conditions is to simply remove reference to  
25 it and any fees that would have been charged under that



1 service?

2 MS. KELLY DERKSEN: Yeah, there's some  
3 stragglers. We didn't quite get to remove all of them so, in  
4 the -- when we did remove the -- or discontinue buy/cells.  
5 So, we're simply just removing any reference to a service  
6 that no longer exists.

7 MR. BOB PETERS: Thank you. There was a --  
8 an addition to the Application and the filing by way of a  
9 letter dated April 22nd of 2004 where the Corporation wants  
10 this Board to also approve the allocation of partial account  
11 payments; are you familiar with that? Is that an area of  
12 your responsibility, Ms. Derksen?

13 MS. KELLY DERKSEN: In fact, it's Mr.  
14 Warden's.

15 MR. BOB PETERS: All right. Presently, Mr.  
16 Warden, for customers of yours that use -- use both  
17 electricity and gas they would receive two (2) separate bills  
18 but in one (1) envelope; is that correct?

19 MR. VINCE WARDEN: Yes, that's correct. We  
20 have put the meter readings together now so the meter --  
21 meter readings are done at the same time and the bills, as  
22 you indicated, are sent -- sent in one (1) envelope.

23 So, we've gone part way in achieving the  
24 synergies that we anticipated with the two (2) utilities  
25 operating together. The next step, however, is to put both

1 electricity and gas on one (1) bill, and that's what we're in  
2 the process of doing now. We're making the system changes  
3 that are necessary to make that happen.

4 MR. BOB PETERS: Before we go further, Mr.  
5 Warden, can you quantify for the Board what synergy savings  
6 you have achieved to date on an annual basis, by being able  
7 to put two (2) bills into one (1) envelope?

8

9

(BRIEF PAUSE)

10

11

MR. VINCE WARDEN: I thought we might have  
12 responded by way of an IR on that, Mr. Peters. We will just  
13 double check that.

14

15

16

17

18

Very -- very roughly though, we estimated

approximately \$2 million per year in synergy savings, of

which 1 million has yet to be achieved with the -- the

combining the bills -- or combining the services on one (1)

bill.

19

20

So, we're about halfway there. But I can  
probably refine that number for you if you like.

21

22

23

24

25

MR. BOB PETERS: Well, I'm just wondering,  
Mr. Warden, the obvious savings is that if you're sending two  
(2) bills in one (1) envelope you only need one (1) stamp or  
one (1) postage charge per customer. And I think you told us  
earlier for the WTS customers, that would certainly be a

1 savings, and would be more than what you're charging them on  
2 their ABC fee.

3                   So, that -- so the cost of the stamp would be  
4 one (1) of the synergies you've saved?

5                   MR. VINCE WARDEN: Yes.

6                   MR. BOB PETERS: Are there -- other than the  
7 cost of the stamp, are there other synergies that you've  
8 developed internally, as a result of going to two (2) bills  
9 in one (1) envelope?

10                   MR. VINCE WARDEN: Well, yes, the people that  
11 currently work separately, are now working in one (1)  
12 department together. And there have been synergies as a  
13 result of that, and of course as I mentioned earlier, the  
14 meter readings are now combined, which again is considerable  
15 synergies.

16                   MR. BOB PETERS: Does that mean that there  
17 are fewer people in total now, sending out bills, because  
18 we're using two (2) bills in one (1) envelope?

19                   MR. VINCE WARDEN: That's right.

20                   MR. BOB PETERS: And you've -- you've said  
21 you want to migrate to one (1) energy bill, and I believe  
22 your target date is November of 2005?

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

24                   MR. BOB PETERS: And that's still the target  
25 date?

1 MR. VINCE WARDEN: It is.

2 MR. BOB PETERS: And the additional synergy  
3 savings to go from the present two (2) bills in one (1)  
4 envelope to one (1) energy bill in one (1) envelope, is the  
5 other \$1 million of synergy that you are hoping to achieve?

6 MR. VINCE WARDEN: \$1 million synergy per  
7 year, yes.

8 MR. BOB PETERS: The allocation of partial  
9 account payments, Mr. Warden, may lead to circumstances that  
10 impact customers who don't pay their accounts in full, do you  
11 agree with that?

12 MR. VINCE WARDEN: Yes, it would.

13 MR. BOB PETERS: I recall hearing, and I  
14 believe it was in this Proceedings, that approximately 85  
15 percent of your customers pay their -- their gas bills by the  
16 due date; am I approximately correct on that?

17 MR. VINCE WARDEN: Yes, I believe that was  
18 part of our direct testimony.

19 MR. BOB PETERS: And there are another 10  
20 percent that pay their gas bills not by the due date, but  
21 within thirty (30) days of the account being rendered?

22 MR. VINCE WARDEN: Correct.

23 MR. BOB PETERS: And by my simple math, that  
24 leaves about 5 percent of the customers you have who do not  
25 pay by the thirty (30) days and would end up in your accounts

1 payable calculations; would that be correct?

2 MR. VINCE WARDEN: Well, they would end up in  
3 the arrears that we would commence collection action on, yes.

4 MR. BOB PETERS: Can you tell the Board how  
5 many customers end up in arrears, through the experience of  
6 the Corporation?

7 MR. VINCE WARDEN: Yes, Mr. Peters, I do have  
8 a table here that might be -- I can try doing this verbally,  
9 or it might be more efficient to submit this by way of an  
10 undertaking.

11 But as at the end of August, the most recent  
12 information we have available at this time, we would have in  
13 the greater than ninety (90) day category, we have about  
14 seven thousand two hundred (7,200) accounts that are what we  
15 would call urban residentials, that would include essentially  
16 Winnipeg.

17 For the rural -- so, that's seventy-two  
18 hundred (7,200) urban, and rural would -- residential would  
19 be twelve hundred (1,200) so, those numbers are actually  
20 slightly lower than they were for the same period last year.

21 MR. BOB PETERS: First of all, I'm going to  
22 take you up on your offer to -- to file the table dealing  
23 with arrears and customers in arrears as -- as an undertaking  
24 through your Counsel, we'd greatly appreciate that Mr.  
25 Warden. Thank you for preparing that.

1 --- UNDERTAKING NO. 19: File the table dealing with  
2 arrears.  
3

4 CONTINUED BY MR. BOB PETERS:

5 MR. BOB PETERS: But can you just confirm  
6 that the numbers you have given the Board relate only to the  
7 gas side of the business or are those electric customers as  
8 well?

9 MR. VINCE WARDEN: No. These are -- these  
10 are strictly the gas arrears.  
11

12 (BRIEF PAUSE)  
13

14 MR. BOB PETERS: Under the natural gas side  
15 of the business, Mr. Warden, there are distinct disconnection  
16 rules that have to be followed for residential customers; is  
17 that correct?

18 MR. VINCE WARDEN: Yes, that's correct.

19 MR. BOB PETERS: And, in fact, there is even  
20 legislation that provides a moratorium as to when customers  
21 can be disconnected and when they cannot?

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

23 MR. BOB PETERS: And, can you tell the Board,  
24 from this past winter heating season: Were there more  
25 arrears during those winter months when you could not lock

1 off customers this past season than there had been in  
2 previous years?

3 MR. VINCE WARDEN: No, there were not.

4 MR. BOB PETERS: There were fewer customers  
5 in arrears this past winter?

6 MR. VINCE WARDEN: Just take one (1) second  
7 here, Mr. Peters, to confirm that number for you.

8

9

(BRIEF PAUSE)

10

11

12 MR. VINCE WARDEN: In terms of  
13 disconnections, there were a higher number of disconnections  
14 this past year than in previous years, but the actual amount  
15 of arrears has remained relatively constant over that period  
16 of time.

16

17 MR. BOB PETERS: Does the fact that there  
18 were more disconnections in 2004 -- I take it that would have  
19 been in -- starting in April 2004?

19

20 MR. VINCE WARDEN: That's correct. And as I  
21 mentioned, we only have data up to the end of August, so  
22 really to compare a -- a complete year, we would look at the  
23 year 2003 compared to the previous year and there would be  
24 considerably more disconnections.

24

25 And the reason is we're -- we are taking  
26 advantage of the -- that period on which there is a -- not a

1 mora -- moratorium on disconnections to -- to attempt to  
2 collect those accounts more aggressively than we have in the  
3 past and it has been quite successful.

4 MR. BOB PETERS: When you say you're more  
5 aggressive when the moratorium ceases, Mr. Warden, can you  
6 just briefly explain to the Board what you mean by that?

7 MR. VINCE WARDEN: Well, there is a -- a  
8 fairly limited window under which we can disconnect gas  
9 customers for nonpayment and -- and for good reason. We  
10 don't want gas customers off during the winter heating  
11 season.

12 Recognizing that, though -- that narrow window  
13 that we have it's very important that we mobilize our -- our  
14 people and get them out there and -- and if customers have  
15 refused to pay for whatever reason, we do disconnect those  
16 services and thereby encourage them to make arrangements to  
17 -- to pay their accounts before we will reconnect again.

18 So, we -- over this past year we made a  
19 special effort to disconnect as many of those accounts as we  
20 possibly can during that window and those efforts have --  
21 have proven successful.

22 MR. BOB PETERS: And proven successful means  
23 that you've received a lot of money that was outstanding and  
24 in arrears as a result of these customers that you had to  
25 lock off?



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

2 MR. BOB PETERS: And can you tell the Board,  
3 for those customers that you had to -- that you've locked off  
4 when the moratorium was not in place, and by the way that  
5 moratorium is for -- is for residential customers, correct?

6 MR. VINCE WARDEN: Yes. Residential  
7 customers only.

8 MR. BOB PETERS: And can you tell the Board  
9 of those customers that you did lock off, how many or a  
10 percentage of them were reconnected through your aggressive  
11 processes of collection?

12 MR. VINCE WARDEN: Yes, the percent  
13 reconnected has remained relatively constant over the years.  
14 It -- it ranges between eighty-five (85) to 95 percent. And  
15 this most recent year -- complete year of data that we have,  
16 the percent reconnected was 93 percent; so, that's for the  
17 year 2003.

18 MR. BOB PETERS: Just wondering what happens  
19 to the other 7 percent that aren't reconnected; do you have  
20 any idea?

21 MR. VINCE WARDEN: There are, in those  
22 disconnected accounts there are a lot of tenants so, we would  
23 have apartments that would remain, for the most part, vacant.  
24 There's -- there's never a situation where there's a life  
25 threatening situation that would be allowed.

1                   MR. BOB PETERS:    What you're telling the  
2 Board is that if there is a circumstance where lives are  
3 endangered there would be no disconnection, whether it was --  
4 whether you were allowed to disconnect or not?

5                   MR. VINCE WARDEN:    That's right.

6                   MR. BOB PETERS:    Mr. Warden, and I appreciate  
7 this has some legal overtones to it, but does Centra base its  
8 billings to customers on the concept of with whom they have a  
9 contract to provide a bill and to provide service?

10                  MS. MARLA MURPHY:    Maybe you could clarify it  
11 for us where you're going with that --

12                  MR. BOB PETERS:    Okay.

13                  MS. MARLA MURPHY:    -- or what exactly it is  
14 you're looking at.

15

16 CONTINUED BY MR. BOB PETERS:

17                  MR. BOB PETERS:    Let -- let me try it this  
18 way, Mr. Warden.  Housewife picks up the phone and phones  
19 Centra and says, I would like gas supplied to my house; can  
20 that happen?  Is that -- is that how customers are attached  
21 to the system?

22                  MR. VINCE WARDEN:    Yeah.  That would be  
23 fairly typical, yes.

24                  MR. BOB PETERS:    And does Centra consider  
25 that they then have a contractual arrangement with the

1 housewife to provide gas?

2 MR. VINCE WARDEN: Well, there's certain  
3 basic information that is taken from that -- from that  
4 customer and we confirm who the user is -- the primary user  
5 is, at that residence and thereafter the bills would be  
6 issued in that individual's name.

7 MR. BOB PETERS: And if the bill was not paid  
8 would you -- and let's just carry this right down the line  
9 that you've turned it over to your legal department, the bill  
10 wasn't paid, would the legal department sue the lady who  
11 phoned in requesting gas or would somebody else be named as a  
12 defendant in such a lawsuit.

13 MS. MARLA MURPHY: I might indicate, Mr.  
14 Peters, that the Terms and Conditions of Service actually  
15 define customer which includes:

16 "any person, firm or corporation to whom  
17 gas is delivered or any other goods or  
18 services including attachment to the system  
19 or provided by the company".

20 So, certainly, we'd be looking to that  
21 definition.

22

23 CONTINUED BY MR. BOB PETERS:

24 MR. BOB PETERS: Well, thank you, Ms. Murphy.  
25 Under that definition, Mr. Warden, if -- if there were other

1 people living in the house does Centra believe that they are  
2 also responsible for the gas accounts?

3 MR. VINCE WARDEN: We -- as we do on the  
4 electricity side of the business, we attempt to always  
5 identify the user. So, in accordance with the definition  
6 that Ms. Murphy just read, that would be the customer or that  
7 person to whom the gas is delivered.

8 So, in your example of the housewife, if the  
9 husband was at -- or spouse or significant other -- have to  
10 be careful there, recognizing recent legis -- or recent court  
11 pronouncements -- if we could identify the user we would  
12 pursue collection against that person as well.

13 MR. BOB PETERS: All right. So, what I'm  
14 getting at here is that if the housewife phones for the gas,  
15 the company would consider that both the housewife and her  
16 significant other would be responsible for payment, as I  
17 understood your answers?

18 MR. VINCE WARDEN: Yes.

19 MR. BOB PETERS: Can you tell the Board, is  
20 that exactly the same treatment that you provide and consider  
21 on the electric side of the business?

22 MR. VINCE WARDEN: It is.

23 MR. BOB PETERS: Can you tell the Board, Mr.  
24 Warden, whether this one (1) energy bill concept is utilized  
25 by any other utilities in Canada?

1 MR. VINCE WARDEN: Yes, I am aware of other  
2 utilities; ATCO Gas is one (1) example. And -- that has a  
3 -- not only gas and electricity, but I believe they also have  
4 water on their -- on their -- on one (1) single bill.

5 MR. BOB PETERS: And in the situation where  
6 the energy account, and I appreciate we're now looking up to  
7 November of '05, but you need some direction and some  
8 approvals from this Board in his Hearing, so you can maintain  
9 a timeline that will get you to a one (1) bill, one (1)  
10 envelope, by November of '05; is that correct?

11 MR. VINCE WARDEN: Yes, it's really important  
12 to us that we have those -- that decision in a timely manner,  
13 because we are in the midst of programming. If -- if a  
14 decision was made contrary to our request, it would have an  
15 impact on the -- how we program that --

16 MR. BOB PETERS: All right. I'm not going to  
17 negotiate with you as some were trying with Mr. Hawk perhaps  
18 yesterday, but if -- if this Board wanted you to bring back  
19 to the Board the -- an update of where you were in this  
20 process before November of '05, would you have any objection  
21 to doing that?

22 MR. VINCE WARDEN: I'm not quite sure what  
23 you mean by an update, Mr. Peters, sorry.

24 MR. BOB PETERS: If the Board wanted to see  
25 the -- the final form that you were settling on, for example,

1 would that be something that you would be prepared to provide  
2 to the Board for approval?

3 MR. VINCE WARDEN: A bill sample?

4 MR. BOB PETERS: Yes.

5 MR. VINCE WARDEN: Oh, sure, yeah, we can do  
6 that.

7 MR. BOB PETERS: Well, let me talk about the  
8 bill sample then, or where we're going. If there is a -- a  
9 one (1) bill, one (1) energy bill provided to customers, you  
10 envision that containing gas charges, electric charges, other  
11 charges by the Utility, such as late payment and financing  
12 charges; is that correct?

13 MR. VINCE WARDEN: Yes, and any contracts  
14 they might have with either Manitoba Hydro or Centra Gas or a  
15 number of different -- different services that have been  
16 provided. So, any -- any service provided by the Utility  
17 would be on that one (1) bill.

18 MR. BOB PETERS: So, can you tell the Board,  
19 can a heating service provider also utilize the Centra  
20 account for billing of any of their services? Is there such  
21 a thing as third party charges on your accounts?

22

23

(BRIEF PAUSE)

24

25

MS. KELLY DERKSEN: Mr. Peters, that is --

1 that is correct. I'm not sure of what the name of Centra  
2 Energy Services is anymore these days, but parties like that  
3 could use Centra's bill to facilitate the financing of a  
4 number of different services.

5 MR. BOB PETERS: Well, a good segue, Ms.  
6 Derksen. You were quick to point out that at Tab E of a Book  
7 of Documents that My Friend, Mr. Saxberg, is going to refer  
8 to and has gratefully provided us the liberty of using, there  
9 was a -- there was a Manitoba Hydro account for natural gas  
10 included, correct?

11 MS. KELLY DERKSEN: Yes, sir.

12 MR. BOB PETERS: And I see near the bottom of  
13 that account, a CES rental charge; that would be a Centra  
14 Energy Services rental charge?

15 MS. KELLY DERKSEN: Yes, sir.

16 MR. BOB PETERS: Just refresh the Board's  
17 memory as to how that practically works in terms of third  
18 parties being able to put their charges on the Centra bill?

19 MS. KELLY DERKSEN: I'm digging back into my  
20 memory here. A customer can go to a company like Centra  
21 Energy Services or Union or Furnace Man or whomever it is,  
22 and rent a hot water tank, for example, purchase a furnace,  
23 for example. And what will happen is then the customer can  
24 use the monthly energy bill to pay Centra Energy Services, or  
25 whomever the company is, for rental of the hot water tank, or

1 finance of the furnace.

2 MR. DARREN RAINKIE: I would note, Mr.  
3 Peters, that the terms and conditions of what's referred to  
4 as the Billing and Collection Service, is provided in  
5 Attachment 2 of Tab 9 of the Application, just for future  
6 reference?

7

8

(BRIEF PAUSE)

9

10 MR. BOB PETERS: I didn't follow your point,  
11 Mr. Rainkie. I'm sorry.

12 MR. DARREN RAINKIE: We've had these terms  
13 and conditions for a long time so our memory's not that great  
14 so I was trying to point you to a -- a document that -- that  
15 specifies those terms and conditions of service for the  
16 Billing and Collection Service, which I think was approved in  
17 -- somewhere around Order 107 of '96. No...?

18 MS. KELLY DERKSEN: '97.

19 MR. DARREN RAINKIE: Of '97.

20 MR. BOB PETERS: All right. I appreciate  
21 that, Mr. Rainkie. Mr. Warden, where we are, is that this  
22 one (1) bill concept that I hear the Corporation is -- is  
23 exploring and -- and moving towards will charge things for  
24 gas, for electricity, other utility charges and then other  
25 charges by third parties, if I've now summarized it?



1 MR. VINCE WARDEN: Yes.

2 MR. BOB PETERS: And there's no other charges  
3 other than the taxes levied by the various levels of  
4 government that would also be on the account?

5 MR. VINCE WARDEN: No.

6 MR. BOB PETERS: When we have a situation  
7 where one (1) of the 5 percent of the customers that you've  
8 estimated does not provide a full payment on account of their  
9 -- their one (1) energy bill, Mr. Warden, decisions will have  
10 to be made as to what to do with the money that is remitted  
11 if it's less than full payment, correct?

12 MR. VINCE WARDEN: Correct.

13 MR. BOB PETERS: Will the customer be given  
14 an opportunity to designate how much of that partial payment  
15 goes towards which of the charges?

16 MR. VINCE WARDEN: Yes, absolutely.

17 MR. BOB PETERS: So, a customer could pay off  
18 the third party charges, the Centra Energy Services charges  
19 before they would pay off any amount on account of the  
20 utility costs for either gas, electricity or other services?

21 MR. VINCE WARDEN: Yes, that would be the  
22 customer's choice.

23 MR. BOB PETERS: All right. And -- so the  
24 bill design that you're envisioning is going to have an  
25 ability for the consumer to designate where their partial

1 payment will be -- will go?

2 MR. VINCE WARDEN: Yes.

3 MR. BOB PETERS: And does their partial  
4 payment under your envisioning the one (1) bill system, Mr.  
5 Warden, does the partial payment have to go fully to retire  
6 one (1) of the items that's outstanding or can it -- can they  
7 allocate a partial amount to each of the various matters on  
8 their account?

9 MR. VINCE WARDEN: The -- the first option is  
10 strictly at the discretion or direction of -- of the  
11 customer. We -- we would take whatever direction the  
12 customer had preferred.

13 MR. BOB PETERS: And does the Utility  
14 consider itself bound to accept and apply such payment as  
15 directed?

16 MR. VINCE WARDEN: Yes.

17 MR. BOB PETERS: Would you agree with me, Mr.  
18 Warden, that there may be circumstances where, of this 5  
19 percent of consumers who do not pay their account within the  
20 thirty (30) days, they may not make any designation on their  
21 account?

22 MR. VINCE WARDEN: Yes, that's likely to  
23 happen.

24 MR. BOB PETERS: And that's likely to happen  
25 for a variety of reasons including, perhaps, the education

1 level or understanding of the -- of the customer?

2 MR. VINCE WARDEN: There could be a number of  
3 reasons but yes, we expect that will happen.

4 MR. BOB PETERS: In a situation where the  
5 consumer does not designate how to apply a partial payment,  
6 you want to have some default rules in place as to how to  
7 deal with that, correct?

8 MR. VINCE WARDEN: Correct.

9 MR. BOB PETERS: And would you agree with me  
10 that under the default rules that you're proposing that there  
11 may be some disadvantage to the consumer by going to the  
12 default rules?

13 MR. VINCE WARDEN: I wouldn't really  
14 characterize it as a disadvantage. We just have to have a  
15 protocol in place in the event that the customer does not  
16 specify where his or her payment should be directed.

17 So that protocol is what we're asking to be  
18 approved in these Proceedings. There is -- there's always  
19 the option of the customer, in the event that we apply the  
20 payment contrary to the customer's wishes, that there would  
21 be a -- a retroactive adjustment made.

22

23

(BRIEF PAUSE)

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25

MS. KELLY DERKSEN: Mr. Peters, I just

1 thought that maybe I should add a comment with respect to the  
2 -- how we divvy up payments when third parties are involved  
3 or under the one (1) bill initiative. This is the type of  
4 circumstance that was contemplated as part of the Centra  
5 Energy Service using Centra's bill and other third parties  
6 using Centra's bill back in 1997.

7                   And so we've already put and the Board has  
8 already approved certain practices to allow, either customers  
9 to designate a payment or for Centra to -- to opt to make  
10 that decision or Manitoba Hydro to make that decision on  
11 behalf of the customer.

12                   So, the rules are there. The foundation's  
13 there. It may look a little bit different. We may be  
14 proposing something -- a slightly different treatment. But  
15 those rules are already in place; the billing and collection  
16 terms and conditions that were approved a number of years  
17 ago.

18                   MR. BOB PETERS: Ms. Derksen, for the third  
19 party charges that end up on the gas bill, would you agree  
20 with me that under the partial payment and the designation  
21 and allocation process, if there is no allocation by the  
22 customer the third party charges would be the -- the last  
23 ones to receive any money?

24                   MS. KELLY DERKSEN: That's my understanding,  
25 yes.

1 MR. BOB PETERS: And you're saying to the  
2 Board that the heating and ventilating provider who uses  
3 Centra Energy Services and gets their account on the Centra  
4 bill, they would be the last ones to receive partial payment  
5 under -- under your proposed hierarchy of payments?

6 MS. KELLY DERKSEN: It's a pro rata share so,  
7 yes.

8 MR. BOB PETERS: And maybe I'm not clear on  
9 the pro rata part of it, Ms. Derksen and Mr. Warden. But if  
10 -- if there was a dollar owing for gas, a dollar owing for  
11 electricity and a dollar owing for a third party who used  
12 your bill and a customer only paid two dollars (\$2) with no  
13 designation, would all three (3) of those items be attended  
14 with sixty-six (66) cents or would the first two (2) be  
15 addressed and the last would be left because there was  
16 insufficient funds?

17 MR. VINCE WARDEN: Mr. Peters, our  
18 Application is that payments be made to the oldest arrears  
19 first. And if they're all of equal vintage then it would be  
20 strictly on a prorated basis based on the amount outstanding  
21 from each of those components of the bill.

22 MR. BOB PETERS: Thank you for that, Mr.  
23 Warden. Now, let's take it further and let's assume that  
24 there are no arrears of equal vintage, it's a current account  
25 and the amounts owing are as I've suggested and only two

1 dollars (\$2) is paid when the account is three dollars (\$3).

2 How much goes to gas, how much goes to  
3 electricity and how much goes to the HVAC dealer?

4 MR. VINCE WARDEN: It would be on a prorated  
5 basis.

6 MR. BOB PETERS: And I take from that answer  
7 then, in my example, each of them would receive sixty-six  
8 (66) cents?

9 MR. VINCE WARDEN: Yes.

10 MR. BOB PETERS: The proration is not based  
11 on the amount owed -- I'm sorry, let me rephrase that.

12

13 (BRIEF PAUSE)

14

15 MR. BOB PETERS: Mr. Warden, is it the  
16 intention of the Corporation in the amendments of its terms  
17 and conditions that the same percentage be applied to each of  
18 the equal vintage items or the equal dollar amount applied to  
19 each until at least one of them is retired?

20 MR. VINCE WARDEN: Just to be clear on that,  
21 the -- it would depend on the amount outstanding from each of  
22 the components and the payment would be applied, based on the  
23 proportion each is of the total.

24 MR. BOB PETERS: So, the percentage of the --  
25 the total amount outstanding then is -- is the -- going to

1 determine the proration?

2 MR. VINCE WARDEN: Yes.

3 MR. BOB PETERS: Do you expect, as a result  
4 of this one (1) bill concept, Mr. Warden, that the Utility  
5 will have an increase in the number of customers that become  
6 delinquent in their payment of accounts?

7 MR. VINCE WARDEN: No, I wouldn't expect it  
8 would make any difference.

9 MR. BOB PETERS: Are the disconnection  
10 procedures for the electric side of the business different  
11 than the disconnection procedures from the gas side of the  
12 business, Mr. Warden?

13 MR. VINCE WARDEN: They are. However, in  
14 practice, they aren't all that different. We -- we do not  
15 disconnect residential accounts during the winter, if there's  
16 any concern about the health and safety of the occupants of  
17 that residence.

18 MR. BOB PETERS: And on the electric side, is  
19 there a written policy or -- or procedures, or both, that you  
20 follow when you -- when you go through the lock off process,  
21 or disconnection process?

22 MR. VINCE WARDEN: Yes.

23 MR. BOB PETERS: Could you, by way of  
24 undertaking, file that, because I don't think we have that in  
25 these Proceedings?

1 MS. MARLA MURPHY: I'm not sure how the  
2 electricity practice would be relevant to that Proceeding?

3 MR. BOB PETERS: I wanted to just check, Ms.  
4 Murphy, to see if there are circumstances that would make the  
5 one (1) bill process different, when a customer is making a  
6 proration and not paying the full amounts of both gas and  
7 electricity.

8 MS. MARLA MURPHY: To be clear, Mr. Peters,  
9 our Application isn't contemplating any changes to the  
10 current approved disconnect proceedings on the gas side. We  
11 would anticipate that that would continue to be followed for  
12 the gas portion of the business.

13 MR. BOB PETERS: I understand that, Ms.  
14 Murphy. Can I take it you will at least take my request  
15 under advisement, and get back to us?

16 MS. MARLA MURPHY: Certainly.

17

18 --- UNDERTAKING NO. 20: Provide the written policy or  
19 procedures that the electricity  
20 side follow when they go through  
21 the lock off or disconnection  
22 process.

23

24 CONTINUED BY MR. BOB PETERS:

25 MR. VINCE WARDEN: Mr. Peters, I think it's



1 important that we are clear on this. We do have more  
2 flexibility on the electricity side as to disconnection, or  
3 using such device as -- as a load restrictor. So, we can put  
4 a load restriction device on the -- on the premises, such  
5 that there's limited use of electricity. So, the essentials  
6 -- lights could be used, but there may not be sufficient  
7 power to -- for the television set, for example.

8                   So, there could be a circumstance where we  
9 would want to -- it would be in the utility's interest to  
10 disconnect the electricity service before the gas service.

11                   So, I think it is important that we be clear  
12 on that, but I -- at the same time it's important that we're  
13 clear that -- and I want to re-emphasize that it's up to the  
14 customer, the customer still has the discretion of applying  
15 that payment towards whichever service he or she chooses.

16                   MR. BOB PETERS: Okay. Let me give you  
17 another example, Mr. Warden; let's assume we are in the dead  
18 of winter, and the residential customer doesn't pay their gas  
19 bill, and under the current legislation and policies, that  
20 customer cannot be disconnected in the -- in the dead of  
21 winter?

22                   MR. VINCE WARDEN: Yes, that's right.

23                   MR. BOB PETERS: And let's just say that  
24 under the one (1) bill system, the customer then had to pay  
25 both their gas and electricity charges, and they didn't have

1 sufficient monies and they did not make a designation and you  
2 prorated them such that the electricity side of the account  
3 fell in arrears, as well as the gas side and that would  
4 happen under your process and under your proposal. Do you  
5 agree?

6 MR. VINCE WARDEN: Correct, yes.

7 MR. BOB PETERS: And in the dead of winter,  
8 you know you can't lock off on the gas side, but there is no  
9 legislation prohibiting you from locking off or putting on a  
10 load restrictor, as you called it, on the electric side; is  
11 that correct?

12 MR. VINCE WARDEN: That is correct.

13 MR. BOB PETERS: And so in that situation,  
14 the -- the fact that you have different policies for lock off  
15 on the gas and the electric side, may actually be to the  
16 disadvantage of the customer, because they may find  
17 themselves with a load restrictor on the electric side by way  
18 of their partial payment?

19 MR. VINCE WARDEN: That could happen, subject  
20 to all the qualifications that we talked about earlier and  
21 safety of course is -- of the occupants is paramount. That  
22 would --

23 MR. BOB PETERS: And -- sorry?

24 MR. VINCE WARDEN: So, just to be clear, that  
25 would not happen if -- if there was any threat to the safety

1 of the occupants.

2 MR. BOB PETERS: And -- and I appreciate that  
3 qualification, Mr. Warden, but to find out if there was a  
4 threat to the safety of the occupants, that would take human  
5 resources to go figure that out?

6 MR. VINCE WARDEN: As it does today.

7 MR. BOB PETERS: So, if the -- if the  
8 customer was -- was perhaps knowledgeable in the ways of how  
9 to designate on their account, in the dead of winter they  
10 could have paid off in full, their electricity bill, and left  
11 their gas arrears to grow and that, from the consumer's  
12 perspective, may be a more advantageous way to -- to allocate  
13 their partial payment than what the Corporation would do  
14 under their terms and conditions?

15 MR. VINCE WARDEN: It could be. However, I  
16 think it would be incumbent on the Utility to make sure that  
17 the customer is aware of -- of their options. So, I don't  
18 think there'd be a real difference there depending on the  
19 knowledge of the -- of the customer. I think we would make  
20 sure the customer is knowledgeable as to his or her options.

21 MR. BOB PETERS: Can you tell the Board what  
22 steps the Corporation is going to take to inform the  
23 consumers of their choices?

24 MR. VINCE WARDEN: Well, before disconnection  
25 is made, especially in the winter time, we make every effort

1 to personally contact that customer so there's face-to-face  
2 meetings with the customer to make sure the customer is aware  
3 that the service will no longer be provided because of  
4 nonpayment.

5 MR. BOB PETERS: Do you expect that your  
6 customer service agents and the -- the people tracking down  
7 the payment of outstanding accounts are going to guide the  
8 client as to the options that are available?

9 MR. VINCE WARDEN: I do expect that, yes.

10 MR. BOB PETERS: Do you expect that that  
11 agent will guide the customers as to which options are more  
12 advantageous in their circumstance?

13 MR. VINCE WARDEN: I'm sorry, would you  
14 repeat that question, Mr. Peters?

15 MR. BOB PETERS: My -- my question was: Do  
16 you expect that your agents are going to guide the customers  
17 as to which allocation of partial payment would be most  
18 advantageous to them?

19 MR. VINCE WARDEN: Well, I'm not sure that we  
20 would necessarily do that. We would make sure the customer  
21 was informed as to the options available. The motivation for  
22 this is not necessarily to exert pressure on that customer to  
23 pay one (1) bill or the other. The motivation is to get this  
24 energy savings that we're talking about with one (1) bill.

25 MR. BOB PETERS: I -- I appreciate that, but

1 I -- I treat that as a separate issue, at least in -- in  
2 these questions, Mr. Warden.

3 I think you've acknowledged, have you not,  
4 that -- that there is -- there are circumstances where  
5 certain elections would be more advantageous by consumers  
6 than others when it comes time to paying their account?

7 MR. VINCE WARDEN: Well, in the circumstance  
8 that we've discussed, we -- as indicated we do have more  
9 options on the electricity side than we do on gas. It's --  
10 with gas it's either on or off, with electricity there are  
11 other techniques we can use.

12 MR. BOB PETERS: Correct, but if we are in  
13 the dead of winter and the consumer can't pay in full their  
14 gas bill and their electric bill, they would be better off  
15 and avoid disconnection proceedings if they paid their  
16 electric bill in full and let their gas account arrears grow?  
17 Isn't that the case?

18 MR. VINCE WARDEN: Well, to the extent they  
19 can pay their electric bill in full, sure, I -- I would agree  
20 with that. Again, I want to reiterate, though, that in  
21 practice what we do on the electricity side isn't all that  
22 different that what we do on gas, so in the dead of winter  
23 it's unlikely we'd -- we would be disconnecting electricity  
24 service anyway.

25 MR. BOB PETERS: Thank you. Mr. Chairman --

1 THE CHAIRPERSON: Mr. Peters, I think maybe  
2 we'll take a break right now. I think there's a few things  
3 to reflect on. Thank you.

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

5

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

7 --- Upon resuming at 10:38 a.m.

8

9 THE CHAIRPERSON: Mr. Peters...?

10 MR. BOB PETERS: Thank you, Mr. Chairman.  
11 I'd like to resume and try to tidy up a couple of areas that  
12 we touched on this morning.

13

14 CONTINUED BY MR. BOB PETERS:

15 MR. BOB PETERS: Mr. Warden, back to you.  
16 During my questioning of you Ms. Murphy reminded the Board of  
17 how "customer" is defined in your terms and conditions and,  
18 "it shall include any person to whom gas is delivered"; that  
19 is part of your definition?

20 MR. VINCE WARDEN: Yes.

21 MR. BOB PETERS: And do I take from that  
22 Centra does not deliver gas to people who don't request it;  
23 would that also be correct?

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25 (BRIEF PAUSE)

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MR. VINCE WARDEN: No, I can't imagine why we would.

MR. BOB PETERS: Well, there was a reason for my question and we're getting there. But, I want to understand that there are circumstances where some customers will have an opportunity to appeal their potential gas disconnection to the Public Utilities Board; you're aware, generally of that?

MR. VINCE WARDEN: Yes, I am.

MR. BOB PETERS: And nothing in your terms and conditions is going to change that opportunity for those customers, is it?

MR. VINCE WARDEN: No. Not at all.

MR. BOB PETERS: And in those appeals to the Public Utilities Board, Mr. Warden, has it been the Corporation's general experience that the Board holds responsible for the gas account the person who entered into the arrangement with Centra?

MR. VINCE WARDEN: That would be my understanding, yes.

MR. BOB PETERS: And that has been considered the basis of who your customer is; is the individual who entered into the relationship with the Utility?

MR. VINCE WARDEN: Yes, I agree with that.

1 MR. BOB PETERS: Will anything in your terms  
2 and conditions in the application before the Board today  
3 change that understanding?

4 MR. VINCE WARDEN: No.

5 MR. BOB PETERS: Also, this morning, we  
6 talked about the one (1) bill concept and I just want to take  
7 a few minutes with you, Mr. Warden, and I'm going to call on  
8 My Friend Mr. Saxberg's good graces again to allow us to use  
9 Tab E of his book of documents and I trust all Board Members  
10 have a copy of that as well as yourself, Mr. Warden? Have  
11 you that with you?

12 MR. VINCE WARDEN: We do. Yes.

13 MR. BOB PETERS: And that's a copy of a  
14 natural gas account, correct?

15 MR. VINCE WARDEN: Correct.

16 MR. BOB PETERS: When -- when you talk about  
17 billing customers and the cost allocation matters that Ms.  
18 Derksen and I talked about, customer understandability was --  
19 was a factor that is utilized in rate design processes.

20 Would that be fair?

21 MS. KELLY DERKSEN: That's fair, sir.

22 MR. BOB PETERS: You want customers to  
23 understand what you're up to?

24 MS. KELLY DERKSEN: Generally, yes.

25 MR. BOB PETERS: And when you send, you'd



1 agree with me as well, Mr. Warden, that every month you go  
2 into hundreds of thousands of homes by way of your accounts  
3 for energy to your customers?

4 MR. VINCE WARDEN: We do.

5 MR. BOB PETERS: When you go into those  
6 consumer homes, you want your bill to be understandable by  
7 them as well, correct?

8 MR. VINCE WARDEN: Yes, we do.

9 MR. BOB PETERS: And your account has -- has  
10 morphed over the various years. It has changed as a result  
11 of things that have happened in the gas industry; would that  
12 also be fair?

13 MR. VINCE WARDEN: You mean the appearance of  
14 the bill?

15 MR. BOB PETERS: I do mean the appearance of  
16 the bill.

17 MR. VINCE WARDEN: Yes, that's -- that's  
18 correct.

19 MR. BOB PETERS: And when we look at Tab E of  
20 the CAC/MSOS brief of documents, and look at the -- the  
21 account there's a fair bit of information being provided on  
22 this account, is there not?

23 MR. VINCE WARDEN: Yes.

24 MR. BOB PETERS: Does the Corporation have  
25 any view on whether consumers understand the level of

1 information being provided?

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(BRIEF PAUSE)

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MR. VINCE WARDEN: I think, judging by the number of calls that we receive at our contact centre, which, in proportion to the total customers billed is relatively small, that the vast majority of our customers do accept the bill for what it is.

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And probably most customers look at the bottom-line as to what their -- what is due and payable, and probably do some kind of a reasonableness check, and if they have problems they can look at the details, and the details are -- are there for them, should they choose to delve into those details.

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MR. BOB PETERS: For every customer that calls, there's a thousand (1,000) customers that don't call, but have the same issue, is that not the -- the rule of thumb, Mr. Warden, or ...

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MR. VINCE WARDEN: I haven't heard that one, but --

MR. BOB PETERS: I might have just made that up. But -- but, what I'm -- what I'm getting at is we've now got a bill in front of us that has natural gas related expenses. And where you're planning on going with it is the

1 one (1) energy bill would be one (1) bill for both gas and  
2 electricity, as well as other utility charges, plus any third  
3 party charges on the account. And that bill's going to get  
4 fairly cluttered, is it not?

5 MR. VINCE WARDEN: Well, you might think so,  
6 however, I have seen some early mock-ups of bills that we  
7 expect out of the new system. They actually do look quite  
8 nice.

9 There's -- there -- the services are  
10 compartmentalized to some extent, so that the customer is  
11 drawn to, you know, what your interest -- that that customer  
12 might have.

13 So, I think there's a lot of things we can do  
14 now with technology and it's likely that the bill will go to  
15 more than one (1) page, however -- however, we can use both  
16 sides of the printed copy. And I'm actually -- from what  
17 I've seen so far, I don't have any concerns that customers  
18 will be able to readily understand the bills that they  
19 receive when they're -- when they're combined.

20 MR. BOB PETERS: Does -- do I take from that  
21 answer, Mr. Warden, that Centra and Manitoba Hydro, for that  
22 matter, have -- have no interest at this time to try to  
23 simplify the amount of information being provided on the  
24 bill?

25 MR. VINCE WARDEN: Well, we do. And that's

1 what I think I alluded to, is that the new bill, the look of  
2 the new bill will, I think, add rather than detract from --  
3 from customer comprehension of -- of the charges.

4 MR. BOB PETERS: So, if I ask you now for a  
5 copy of one (1) of those mock-ups, is that something that can  
6 be provided, or is that something that at this point the  
7 Corporation does not wish to provide?

8 MR. VINCE WARDEN: Well, it probably is a  
9 little early. We could certainly do that, but I think we're  
10 still in the process of fine tuning.

11 I think there's -- if we provided a bill at  
12 this point, it might not look like the final version, so I'd  
13 prefer to wait a bit. But that could be done. I -- like I  
14 say, I prefer to wait until we have something that we've  
15 perfected, before we -- we do that.

16 MR. BOB PETERS: Well unless the Board  
17 requests otherwise, would that be a matter that the Board  
18 would expect to see at your General Rate Application filing  
19 later this fall?

20

21 (BRIEF PAUSE)

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23 MR. VINCE WARDEN: Well, I'm not sure exactly  
24 why we would necessarily file it as part of our GRA, only to  
25 the extent that we are incurring costs in developing the new

1 system that we would want to support, and if the Board deemed  
2 that they wanted to see the output of that work, then a bill  
3 could be filed with those Proceedings.

4                   Otherwise though, we wouldn't normally file --  
5 file copies of bills with the GRA.

6                   MR. BOB PETERS:   Specifically, on this Tab E,  
7 Mr. Warden, of the Book of Documents from CAC/MSOS, would it  
8 be -- would it be in your view, beneficial to combine some of  
9 the items, like transportation and distribution, to be  
10 specific.  And -- and rather than show four (4) separate  
11 lines, recognizing there's been a rate change here, to just  
12 have one (1) line item and -- and one (1) dollar amount?

13                   MR. VINCE WARDEN:   Well, that's -- you know,  
14 this sample that we're looking at is more cluttered than  
15 normal, and it is because, as you indicated, the rate change.  
16 So, there's some proration going on between the -- the unit  
17 costs.

18                   So, in the interests of providing information  
19 -- as much information to customers as possible, it's a  
20 balance I suppose between what is the right amount of  
21 information and the -- and too much.

22                   But, this -- that certainly does provide those  
23 customers.  And -- and there are a number of customers that  
24 really do want to recalculate -- recalculate each line item.  
25 This will allow them to do that.

1                   MR. BOB PETERS:    Do you run your proposed new  
2 one (1) bill system past any focus groups or any customer  
3 testing, before it's finalized?

4                   MR. VINCE WARDEN:    Yes.

5                   MR. BOB PETERS:    Have the specifics of that  
6 been worked out at this point in time?

7                   MR. VINCE WARDEN:    I believe there have  
8 already been some focus groups and before we finalize the  
9 bill I expect we'll be doing more of that.  It's a very  
10 general answer; I don't have the specifics in direct answer  
11 to your question.

12                   MR. BOB PETERS:    When we talked before about  
13 the one (1) bill concept, Mr. Warden, I'm just wondering, are  
14 there situations where you would have in a rental property,  
15 the landlord paying for the gas -- no, let me change that --  
16 the landlord would pay for the electricity and the tenant  
17 would pay for gas?

18                   MR. VINCE WARDEN:    It really depends on the  
19 metering configuration within apartment blocks and there's  
20 not one (1) standard but the scenario that you described  
21 could happen.

22                   MR. BOB PETERS:    It could happen.  In those  
23 situations if it did happen, Mr. Warden, are you telling the  
24 Board that there would still be -- still be one (1) bill or  
25 would there be two (2) bills in that instance?

1 MR. VINCE WARDEN: Yeah, there would be two  
2 (2) different customers in that instance so we would have  
3 different bills.

4  
5 (BRIEF PAUSE)  
6

7 MR. BOB PETERS: When you talked this  
8 morning, Ms. Derksen, with me about some of the customer  
9 charges, I understood from my notes that Centra will go into  
10 a home and relight the pilot on the furnace without charge;  
11 is that -- is that correct?

12 MS. KELLY DERKSEN: That's correct, Sir.

13 MR. BOB PETERS: And what happens if the  
14 pilot light on a fireplace needs to be relit? Is that also  
15 done without charge?

16 MS. KELLY DERKSEN: To my knowledge, yes.

17 MR. BOB PETERS: And what about if it's a --  
18 another gas appliance, a hot water tank or a stove?

19 MS. KELLY DERKSEN: I think it doesn't matter  
20 what the appliance is, that we would do that with no charge  
21 to the customer.

22 MR. BOB PETERS: Is that seen as a safety  
23 issue or is that seen as a customer service issue?

24 MS. KELLY DERKSEN: I think there is a  
25 component of safety to it so I think that's what it's being

1 viewed as.

2 MR. BOB PETERS: Are those services available  
3 from private providers as well? That is, third party service  
4 industry personnel?

5 MS. KELLY DERKSEN: I would expect so, Mr.  
6 Peters.

7 MR. BOB PETERS: Do you know if those are  
8 provided without charge?

9 MS. KELLY DERKSEN: I would expect that there  
10 would be a charge.

11 MR. BOB PETERS: So, the relighting of a  
12 pilot light for whatever appliance is considered a safety  
13 issue and -- and done without charge is what I take from --  
14 from your answer?

15 MS. KELLY DERKSEN: Yes, sir.

16 MR. BOB PETERS: All right.

17 MS. KELLY DERKSEN: And it's been like for  
18 twenty (20) years or more maybe -- thirty (30) years I'm  
19 told.

20 MR. BOB PETERS: Mr. Warden, maybe just a few  
21 areas to tidy up with you, sir, if I might.

22 You -- you are sitting on this Panel because  
23 you have executive responsibilities on the gas side of the  
24 business; would that be correct?

25 MR. VINCE WARDEN: Yes.



1 MR. BOB PETERS: It wasn't a trick question.  
2 And in terms of how the Corporation is integrating Centra in  
3 with Manitoba Hydro, for all intents and purposes, that  
4 integration is now complete?

5 MR. VINCE WARDEN: For all intents and  
6 purposes, yes. We're a majority of the way there. The --  
7 the bill is one (1) of the larger items that we have to --  
8 yet to complete but for the most part, we're where we want to  
9 be, yes.

10 MR. BOB PETERS: And in terms of  
11 responsibilities for the individuals who are with the -- the  
12 Gas Utility, those responsibilities are now put in concert  
13 with the similar responsibility areas in the electrical side  
14 of the business?

15 MR. VINCE WARDEN: Yes.

16 MR. BOB PETERS: And in terms of the gas side  
17 of the business, I see Mr. Kast has been with us throughout  
18 this hearing. He is the Division Manager on the gas supply  
19 side?

20 MR. VINCE WARDEN: That's correct.

21 MR. BOB PETERS: And also as a division  
22 manager but on the, I'm probably going to screw this up, but  
23 on the rates and regulatory side, Mr. Wiens looks after that?

24 MR. VINCE WARDEN: That's correct.

25 MR. BOB PETERS: And would I be correct then

1 that do the -- I suppose I could ask each of the Panel  
2 Members, in terms of who they report to up to the division  
3 manager and vice president; does it all end up being reported  
4 through to you?

5 MR. VINCE WARDEN: For the Panel Members that  
6 we have assembled today, yes.

7 MR. BOB PETERS: And they would -- would you  
8 have a corporate organizational chart that you could perhaps  
9 provide to the Board on the -- on the gas supply side of  
10 things by way of an undertaking?

11 MR. VINCE WARDEN: On the gas supply side of  
12 things, Mr. Peters? Just to be clear: Are we talking gas  
13 supply division or the gas -- like, the gas supply -- the gas  
14 business is integrated with the electricity business. We do  
15 have a gas supply division.

16 Is it the gas supply division you're  
17 specifically interested in?

18 MR. BOB PETERS: It's only the division  
19 aspect of it.

20 MR. VINCE WARDEN: Fine. We can do that.

21

22 --- UNDERTAKING NO. 21: Mr. Warden to supply to Mr.  
23 Peters a corporate organizational  
24 chart for the gas supply  
25 division.

1

2 CONTINUED BY MR. BOB PETERS:

3 MR. BOB PETERS: Yes. And -- and the other  
4 part you were trying to be clear with the Board on, Mr.  
5 Warden, is that there are other aspects on the gas side of  
6 the business that are integrated into the electrical side and  
7 they report up through a -- a different line -- a different  
8 line to get to their vice presidents?

9 MR. VINCE WARDEN: Yes. There's -- there's  
10 primarily two (2) other vice presidents that are involved  
11 with the gas business and that would be on the customer  
12 service and marketing side and transmission/distribution.

13 There's no gas involvement in the power supply  
14 area.

15 MR. BOB PETERS: And so, the customer service  
16 and marketing issues would -- would be reported up through to  
17 -- Mr. Rose is the vice president on those issues?

18 MR. VINCE WARDEN: That's correct.

19 MR. BOB PETERS: And when you indicated  
20 transmission and distribution, that is the gas transmission  
21 and the gas distribution issues would also be reported up  
22 through to the vice president level who -- is it Mr. Snyder?

23 MR. VINCE WARDEN: Mr. Snyder is the -- yes,  
24 the vice president of transmission and distribution on the  
25 electricity side and -- and gas, although, some of the -- a

1 lot of the distribution functions are over on the customer  
2 service and marketing side of the business.

3 MR. BOB PETERS: All right. I'll -- I'll  
4 maybe await to look at that organizational chart. I think  
5 that would be helpful to the Board and I thank you for that.

6 Mr. Warden, we had talked -- and I appreciate  
7 you were sitting with a slightly different panel  
8 configuration which means your first Panel on fixed price  
9 contracts; do you remember some of that discussion?

10 MR. VINCE WARDEN: Yes.

11 MR. BOB PETERS: And I reread some of our  
12 discussion on the transcript and do I take from our  
13 discussions that at some point in time Centra would like the  
14 ability to offer fixed price contracts to its customers?

15 MR. VINCE WARDEN: At some point in time we  
16 would like the ability to do that, yes.

17 MR. BOB PETERS: Are we at that point in time  
18 now?

19 MR. VINCE WARDEN: We have no filed an  
20 application for that in these Proceedings. We think when  
21 that point in time does arise, we will file an application  
22 with this Board.

23 MR. BOB PETERS: Did I also understand from  
24 our discussion prior as well as questions you've answered for  
25 -- for other parties, that it is not Centra's intention to

1 compete with the broker market unless there was price  
2 gouging?

3 MR. VINCE WARDEN: Well, I think I indicated  
4 that I -- we didn't see any evidence of what could be  
5 described as "price gouging" in the marketplace today. If we  
6 decided to enter the -- into direct competition though with  
7 brokers it could be for other reasons than just the area of  
8 price gouging.

9 MR. BOB PETERS: What would be some of those  
10 other areas by way of example?

11 MR. VINCE WARDEN: Well, I think our -- our  
12 obligation is to provide safe, reliable service at the lowest  
13 possible cost. If we felt that we could, as a utility, over  
14 the long term provide benefits to the consumers of Manitoba  
15 at a lower cost than what's being provided today then I think  
16 we have an obligation to do so.

17 MR. BOB PETERS: So, that would then not --  
18 not depend on whether you felt there was price gouging but if  
19 you could go to the market some cents per cubic metre cheaper  
20 than what the brokers were going to the market for, you may  
21 feel an obligation to -- to put that opportunity out there --  
22 that offering out there?

23 MR. VINCE WARDEN: Yes, and I think it is --  
24 does relate back to the timing of when that would -- we would  
25 expect to do that if we ever did. I think the -- the market

1 place in Manitoba is still evolving.

2                   And if -- if we truly want the WTS service to  
3 -- to work as it was intended, then I think we have to give  
4 it a chance to do -- do that. I don't think it's had  
5 sufficient time yet to -- to come to a determination as to  
6 whether it's working in the best interests of -- of all  
7 consumers.

8                   MR. BOB PETERS: Do you -- does the  
9 Corporation have a time line by which that -- that migration  
10 or that maturation process should be complete?

11                   MR. VINCE WARDEN: Not really, I think it's  
12 something we're monitor -- monitoring, and at the appropriate  
13 time I think a decision would be made as to whether or not we  
14 wanted to take different -- a different approach to the  
15 marketplace than we are today. But, no, we don't have a time  
16 frame around that at this stage.

17                   MR. BOB PETERS: Has the Utility thought of,  
18 in ess -- in essence, establishing a -- an affiliate company  
19 that could provide gas supply services?

20                   MR. VINCE WARDEN: Well, I think if we were  
21 to enter the marketplace on a fully competitive basis, that  
22 would be the only fair way to do it.

23                   MR. BOB PETERS: And when we say on an  
24 affiliate basis, your understanding is that that affiliate  
25 would then be unregulated, and it would be able to offer

1 whatever the affiliate determined would be appropriate?

2 MR. VINCE WARDEN: That's correct.

3 MR. BOB PETERS: And is the Corporation  
4 giving that consideration at this time?

5 MR. VINCE WARDEN: Well again, it's related  
6 to my previous answer. If we decide to go down that route,  
7 it would probably -- probably be through an affiliate  
8 company.

9 MR. BOB PETERS: Okay then, just to conclude  
10 on that area, just to make sure that I'm clear and the record  
11 is clear then, Mr. Warden: If the utility decides it wants  
12 to -- wants the ability to offer a fixed price contract, the  
13 Board would expect you to bring an application before the  
14 Board and such an application would probably be to set up an  
15 affiliate to provide those services?

16 MR. VINCE WARDEN: Yes, as a matter of fact,  
17 and I don't have my timeframes right in here, I'm sure, but I  
18 think it's within the last couple of years we were invited by  
19 this Board to submit an application, if we thought we wanted  
20 to offer those services.

21 To this point in time obviously we haven't  
22 done that, but -- but we still consider that invitation open  
23 so.

24 MR. BOB PETERS: Thank you for that, Mr.  
25 Warden. Perhaps just conceptually: If the Corporation

1 offers something other than the system supply arrangement  
2 that it presently has, and there are attendant costs to that,  
3 should those costs be shared by all system supply customers,  
4 as well as perhaps direct purchase customers or should those  
5 simply be borne by the direct purchase customers that avail  
6 themselves of the new offering that you may offer?

7 MR. VINCE WARDEN: Well, in the scenario we  
8 were just describing with an affiliate company, it would only  
9 be those direct purchase customers that should bear those  
10 costs, in my view.

11 MR. BOB PETERS: And -- and maybe just to  
12 argue that with you a little bit, politely, sir. Is that not  
13 providing choice to consumers, much like you presently do  
14 with direct purchase?

15 MR. VINCE WARDEN: I wonder if you could just  
16 be a little more specific with your question?

17 MR. BOB PETERS: Certainly. I had heard and  
18 understood today that choice is considered good by the  
19 Corporation?

20 MR. VINCE WARDEN: Yes.

21 MR. BOB PETERS: And competition provides  
22 choice?

23 MR. VINCE WARDEN: Yes.

24 MR. BOB PETERS: If -- if in the provision of  
25 that choice there are costs incurred by the Utility, is there



1 an argument that all of those costs should be paid by all  
2 customers of the Utility, such as you do through the  
3 distribution rates currently for gas supply customers?

4 MR. VINCE WARDEN: Well, under the current  
5 arrangement, whereby Centra has the obligation to provide  
6 service, at a variable rate, and while the competitive market  
7 is -- is still in its formative stages in -- in Manitoba,  
8 then it is appropriate that all consumers bear those costs as  
9 they do today.

10 If we look ahead though, a number of years and  
11 in the event that an affiliate company was established by  
12 Centra, then I think it would be appropriate at that time  
13 that those customers that avail themselves of that service  
14 pay those costs.

15 MR. BOB PETERS: Okay. Thank you for that,  
16 sir. Presently, the relationship between brokers and their  
17 customers is guided by a code of conduct or maybe even more  
18 than guided, it's governed by a code of conduct; is that  
19 correct?

20 MR. VINCE WARDEN: That's correct.

21 MR. BOB PETERS: And that code of conduct  
22 does not expressly apply to Centra, does it?

23 MR. VINCE WARDEN: It doesn't, no.

24 MR. BOB PETERS: Would you agree with me that  
25 the spirit and intent are matters that Centra can agree with,

1    though, in terms of how it interacts with customers?

2                   MR. VINCE WARDEN:    I think I would generally  
3    agree with that.  I haven't reviewed that code of conduct for  
4    a little while but -- but I think, yes, I could agree with  
5    that statement.

6                   MR. BOB PETERS:    And I know we're -- we're  
7    now well ahead of ourselves, Mr. Warden, but in the event  
8    that there was an affiliate company to be established by the  
9    Utility, would you expect that there would be a code of  
10   conduct that would govern the relationship of that affiliate  
11   with the Corporation?

12                   MR. VINCE WARDEN:    Sure.

13

14                                   (BRIEF PAUSE)

15

16                   MR. BOB PETERS:    Mr. Warden, I also had a  
17   chance to reread the transcript -- I was going to say on the  
18   weekend but I think it was Monday or Tuesday but I've  
19   forgotten the day -- when we talked about demand side  
20   management and you recalled -- and you related evidence to  
21   the Board, and I take from our discussion that it's -- the  
22   DSM program on the gas side is still in it's formative  
23   stages?

24                   MR. VINCE WARDEN:    Yes.

25                   MR. BOB PETERS:    And that's not to say you're

1 expending a lot of money in that area because you do have a  
2 significant financing program for high efficiency or greater  
3 efficiency furnaces; somewhere in the order of six point nine  
4 (6.9) or \$7 million of financing for those appliances?

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

6 MR. BOB PETERS: And in addition to that,  
7 though, in terms of actual programs, the gas side of the  
8 business is allocating approximately \$1 million on account of  
9 making consumers aware of certain efficiency matters and  
10 places they can turn to to get more information; am I  
11 correct?

12 MR. VINCE WARDEN: Yes, we're spending about  
13 \$1 million -- or last year we spent about \$1 million under  
14 the heading of DSM for gas and a lot -- most of that was in  
15 the area of providing information.

16 MR. BOB PETERS: And -- and just because you  
17 were so precise on it, Mr. Warden; are you spending a like  
18 amount in the current fiscal year? Is that your expectation?

19 MR. VINCE WARDEN: I think in the fiscal year  
20 2004/'05 it wouldn't be materially different. We're not  
21 doing a lot of different things than we did last year. We  
22 do, though, plan on stepping that up considerably in the  
23 years ahead and more so -- well starting in '05/'06 and then  
24 beyond.

25 MR. BOB PETERS: Is the objective of moving

1 along a DSM program for the gas side of the business to  
2 reduce the consumption levels of consumers?

3 MR. VINCE WARDEN: Well, it's to insure that  
4 energy is being consumed in Manitoba as efficiently as  
5 possible and that energy is not being wasted.

6 MR. BOB PETERS: So, on the gas side of the  
7 business, that would bring into considerations things like  
8 societal benefits as opposed to financial benefits to the  
9 Corporation?

10 MR. VINCE WARDEN: Yes, it is, as I think we  
11 discussed and a little bit different on the gas side of the  
12 business where there aren't direct financial benefits to the  
13 corporation but there are societal benefits. Yes,  
14 absolutely.

15 MR. BOB PETERS: Can you tell the Board  
16 whether the Kyoto Accord and the plans that may or may not  
17 develop from that initiative form any part of the DSM  
18 initiatives of the Corporation?

19 MR. VINCE WARDEN: Yes, the -- the  
20 Corporation has adopted the targets established in the Kyoto  
21 Accord and we are working towards achieving those targets and  
22 we fully expect to.

23 MR. BOB PETERS: Do -- does achieving those  
24 targets result in any financial benefit to -- to the  
25 Corporation?

1 MR. VINCE WARDEN: On the electricity side of  
2 the business, yes, absolutely. With our export market there  
3 are direct financial benefits to saving energy in Manitoba.

4 MR. BOB PETERS: Sorry, I -- I was not clear  
5 in my question, Mr. Warden. On the gas side of the business,  
6 do those initiatives that will allow you to reach the  
7 guidelines from the Kyoto Accord provide any financial  
8 benefits on the gas side of the business?

9 MR. VINCE WARDEN: They may. We haven't  
10 specifically quantified those yet. But to the extent that  
11 there are some opportunities for emission type trading there  
12 may very well be some financial benefits associated with  
13 that.

14 I wouldn't expect they would be huge by there  
15 might be some dollars to be realized there.

16 MR. BOB PETERS: We heard from one of the  
17 presenters, TREE and RCM, in their presentation. We also  
18 heard some comments by the witnesses on behalf of Simplot  
19 Canada yesterday that talked about the system benefit charge  
20 proposed or suggested, if I may, by TREE and you're familiar  
21 with that are you, sir?

22 MR. VINCE WARDEN: Yes, I am.

23 MR. BOB PETERS: In short, in my words, they  
24 were proposing -- TREE was proposing, that a 2 percent system  
25 benefit be charged on the, I think, total throughput of the

1 -- the gas utility; is that your understanding?

2 MR. VINCE WARDEN: Yes.

3 MR. BOB PETERS: And whether or not the  
4 dollar amount is accurate, it was suggested it was in the  
5 range of \$10 million and does that seem reasonable in terms  
6 of the calculation to you?

7 MR. VINCE WARDEN: The calculation is  
8 reasonable.

9 MR. BOB PETERS: If the calculation is  
10 reasonable, what is Centra's view -- if the calculation  
11 giving rise to the \$10 million number may be reasonable, what  
12 is Centra's view on the -- on a system -- a system benefit  
13 charge being implemented?

14 MR. VINCE WARDEN: We don't support that at  
15 all. We don't think that is the appropriate way to -- to  
16 account or introduce DSM into the Manitoba marketplace for  
17 gas.

18 The appropriate form for -- for addressing  
19 this issue is -- is through a GRA. It would not be  
20 appropriate to co-mingle gas costs -- commodity costs with  
21 what is properly a charge against the distribution costs of  
22 -- of -- of the Company.

23 As I mentioned earlier, we -- we do have a  
24 program, a fairly -- what I think is a good program being  
25 launched within the Utility. We do believe in doing things

1 in an orderly way; a well thought out plan, cost sharing to  
2 the extent possible with the levels of government.

3 It would be totally inappropriate at this  
4 point in time to levy any kind of a -- a charge against the  
5 consumers that -- so, I do not support TREE's recommendation  
6 at all.

7 MR. BOB PETERS: Well, rather than levying a  
8 charge then against consumers, what about holding back some  
9 of the \$16.5 million that is available through the various  
10 PGVA accounts and --

11 MR. VINCE WARDEN: Yeah, well that amounts to  
12 -- I'm sorry. That amounts to the same thing and I really  
13 don't -- don't support that. I don't think that is  
14 appropriate.

15 MR. DARREN RAINKIE: I'm glad Mr. Peters is  
16 at 16.5 million for one year or nine (9) months in terms of  
17 how we're going to refund it. That's not an annual amount to  
18 be used forever.

19 MR. VINCE WARDEN: But even in the event that  
20 it was, it's just the wrong approach and should not be, in my  
21 view, considered by this Board.

22 MR. BOB PETERS: When DSM is planned, Mr.  
23 Warden, should the costs of the specific programs be charged  
24 to the specific customer classes getting the benefit of it as  
25 was suggested by, I think, Dr. Reading, yesterday?

1 MR. VINCE WARDEN: Yes. That -- that does  
2 appear to be reasonable. And it, in fact, is the approach we  
3 take on the electricity side. So, I would expect that would  
4 be the approach that we would take on the gas side of the  
5 business as well.

6 MR. BOB PETERS: The record wasn't clear when  
7 I reviewed it, Mr. Warden, as to whether or not there is  
8 money available from the Federal Government for gas demand  
9 side management initiatives?

10 MR. VINCE WARDEN: There is money available  
11 for gas DSM.

12 MR. BOB PETERS: Is it available now?

13 MR. VINCE WARDEN: We are currently, as we  
14 speak, we're involved in discussions, negotiations with the  
15 Federal Government as to how those costs will be shared.

16 MR. BOB PETERS: Is there a dollar amount  
17 that is available?

18 MR. VINCE WARDEN: I think so, although I'm  
19 not aware of what -- of what that dollar amount is at this  
20 time.

21 MR. BOB PETERS: Is it Centra's intention to  
22 avail itself of that cost-shared funding that -- that's  
23 available from the Federal Government?

24 MR. VINCE WARDEN: Yes -- Yes, absolutely.

25 MR. BOB PETERS: And is a similar program



1 available from the Provincial Government, to your knowledge?

2 MR. VINCE WARDEN: No. There -- there may be  
3 some opportunities in the future but there are no dollars  
4 available at this time.

5 MR. BOB PETERS: Are your negotiations with  
6 the Federal Government forming part of what you hope to have  
7 as a DSM program that will be finalized this fall?

8 MR. VINCE WARDEN: Yes.

9

10 (BRIEF PAUSE)

11

12 MR. BOB PETERS: We heard -- and I'm not  
13 picking on Mr. Stephens just because he's in the back row  
14 now, but we did hear from -- from him that a total of twenty  
15 (20) requests were sent out for proposals on the new gas  
16 supply arrangement, Mr. Warden; do you recall that?

17 MR. VINCE WARDEN: Yes, I do.

18 MR. BOB PETERS: And do you also recall him  
19 indicating that there were nine (9) responses provided?

20 MR. VINCE WARDEN: Yes.

21 MR. BOB PETERS: And the Corporation selected  
22 one (1) of the nine (9) that responded after reviewing  
23 certain criteria and weighting it and then analyzing a matrix  
24 on it?

25 MR. VINCE WARDEN: That's right.

1                   MR. BOB PETERS:    Could I please ask, by way  
2 of an undertaking from -- from the Corporation through your  
3 Counsel, that you provide the Board with the responses by the  
4 nine (9) parties and -- as well as the matrix that was  
5 developed and utilized by the Corporation in selecting the  
6 gas supplier?

7                   MS. MARLA MURPHY:   Perhaps, Mr. Peters, we  
8 could take that under advisement and consider the request. I  
9 am aware that there's some concern that those proposals  
10 contain some commercially sensitive or market sensitive  
11 information.

12                   A summary of the proposals is already on the  
13 record which protects the identity of the -- the parties that  
14 -- that submitted those proposals.

15                   Mr. Stephens has expressed to me, a concern  
16 that if he were to make all that information public, that he  
17 may be faced with difficulties in the future where he  
18 wouldn't be getting the same kind of competitive pricing from  
19 those parties. So, if we could consider that and advise, I'd  
20 appreciate it.

21                   MR. BOB PETERS:    I appreciate your  
22 considering that request further, Mr. Murphy, and -- and  
23 could you add to that undertaking, consideration of, if there  
24 were letters of rejection from the eleven (11) parties that  
25 did not provide a response to the proposal that -- that you

1 would include that in -- in the request to be provided to the  
2 Board and for the matter to be taken under consideration.

3 MS. MARLA MURPHY: We can certainly consider  
4 it, although I understand there are none.

5 MR. BOB PETERS: You won't have to consider  
6 it for long then. Thank you, Ms. Murphy.

7

8 --- UNDERTAKING NO. 22: Provide responses and rejections  
9 by the gas proposal parties as  
10 well as the matrix that was  
11 developed and utilized by the  
12 Corporation in selecting the gas  
13 supplier.

14

15 CONTINUED BY MR. BOB PETERS:

16 MR. BOB PETERS: When we talked, Mr. Warden,  
17 about the demand side management program, you put on the  
18 record that there was approximately \$6.9 million of financing  
19 arrangements in place for consumers to purchase high  
20 efficiency gas appliances?

21 MR. VINCE WARDEN: Yes.

22 MR. BOB PETERS: And where those appliances  
23 -- do you -- do you know if they're all furnaces or would  
24 they be things like fireplaces or pool heaters -- I don't  
25 know?

1                   MR. VINCE WARDEN: I believe they're all high  
2 efficiency furnaces because there's a distinction between the  
3 -- the rate. If it's not high efficiency then the -- the  
4 financing rate is higher, so I believe the six point nine  
5 (6.9) all pertains to high efficiency furnaces.

6                   MR. BOB PETERS: And -- that's an interesting  
7 point, Mr. Warden, when you say that the high efficiency is  
8 financed at the -- at a -- at a -- it's a lower rate than  
9 what non high efficiency appliances are financed at?

10                  MR. VINCE WARDEN: That's right.

11                  MR. BOB PETERS: And is -- is that rate -- is  
12 it 6.5 percent?

13                  MR. VINCE WARDEN: It is.

14                  MR. BOB PETERS: Does Centra finance those  
15 loans at 6.5 percent from its short-term borrowings?

16                  MR. VINCE WARDEN: The cost -- any cost  
17 associated with a financing program would be allocated to the  
18 gas side of the business.

19                  MR. BOB PETERS: Let me ask it another way.  
20 If you're offering the consumer 6.5 percent interest -- and  
21 that's annual interest, I expect?

22                  MR. VINCE WARDEN: Yes.

23                  MR. BOB PETERS: Are you -- do you have  
24 monies available from your financial institution at 6.5  
25 percent, that you use to -- to provide the program?

1                   MR. VINCE WARDEN:    Yes, as a matter of fact  
2 we -- we do build in an administration fee, and a risk fee,  
3 so there's no cost to the -- residual cost to the  
4 Corporation. So, yes, we can borrow at rates lower than 6.5  
5 percent.

6                   MR. BOB PETERS:    And in the vernacular -- my  
7 vernacular, Mr. Warden, so there's a spread that you're  
8 making on the -- on the financing?

9                   MR. VINCE WARDEN:    We're not making -- I  
10 wouldn't call it making, it's not a profit venture, by any  
11 means, but we are making sure that we cover our costs and our  
12 risks.

13                   MR. BOB PETERS:    Is it -- is it possible for  
14 the Corporation to get money and borrow money at a lower rate  
15 than 6.5 percent?

16                   MR. VINCE WARDEN:    Oh, absolutely, yes.

17                   MR. BOB PETERS:    And -- and maybe I'm  
18 thinking now back to the electrical side of your business,  
19 but some of your short term borrowings were down in the  
20 neighbourhood of 1 percent, if I recall?

21                   MR. VINCE WARDEN:    Yes, as a matter of fact,  
22 we had some money at less than 1 percent.

23                   MR. BOB PETERS:    If the Corporation can get  
24 money at -- at very cheap rates, and those are my words  
25 again, why is the Corporation not passing on those low rates

1 to consumers?

2 MR. VINCE WARDEN: Well, we think 6.5 percent  
3 is a very low, attractive rate, and we do have to -- when  
4 we're financing, we're financing over terms that -- over  
5 which the short term rates could fluctuate and are very  
6 likely to fluctuate upwards.

7 So, we have to, as I mentioned, build in some  
8 kind of a risk premium into the -- over the -- or as you  
9 referred to it, as the spread.

10 MR. BOB PETERS: All right. And I thank you  
11 for that answer. Would you agree with me in principle  
12 though, that if your DSM programs were incorporating  
13 financing at a rate lower than 6.5 percent, there may be more  
14 uptake or more popularity with those programs?

15 MR. VINCE WARDEN: I don't really think the  
16 finance -- when the finance -- I think our customers consider  
17 6.5 percent to be a very attractive rate. And I don't think  
18 those are -- contemplating a furnace, for example, would be  
19 deterred by the rate or encouraged if the rate were -- were  
20 lower.

21 MR. BOB PETERS: Mr. Chairman, I'm going to  
22 thank the Panel for that wide ranging discussion. I believe  
23 I've covered off all my points. And I do appreciate Mr.  
24 Rainkie, Mr. Sanderson, Mr. Barnlund, Ms. Derksen, Mr. Warden  
25 and -- did I just say Mr. Derksen, I meant Ms. Derksen, and

1 Ms. Murphy's assistance to the Board.

2 And those complete my questions, thank you.

3 THE CHAIRPERSON: Thank you, Mr. Peters. And  
4 I apologize again for trying to pass by you at the start of  
5 the day and deprive you of that opportunity. Mr. Saxberg...?

6 MR. KRIS SAXBERG: Thank you, Mr. Chairman.  
7 Sitting to my right is Gloria Desorcy from CAC.

8 Maybe the first order of business should be to  
9 mark my book of documents as the next CAC/MSOS Exhibit.

10 THE CHAIRPERSON: Any problem with that, Ms.  
11 Murphy?

12 MS. MARLA MURPHY: Well, on the same basis as  
13 I indicated earlier, no, we have no problem.

14 THE CHAIRPERSON: Very good then.

15 MR. KRIS SAXBERG: And I believe that would  
16 be 4 but --

17 THE CHAIRPERSON: Mr. Barron, is that  
18 correct? Subject to check, fine.

19

20 --- EXHIBIT NO. CAC/MSOS-4: Book of documents.

21

22 MR. KRIS SAXBERG: Thank you.

23

24 RE-CROSS-EXAMINATION BY MR. KRIS SAXBERG:

25 MR. KRIS SAXBERG: Why don't we then start at

1 Tab A of that book of documents, and these questions will be  
2 for you, Ms. Derksen.

3 I want to jump right into the changes to the  
4 terms and conditions, and specifically with respect to the  
5 allocation of account payments.

6 This Application is seeking a new allocation  
7 of account payments, correct?

8 MR. VINCE WARDEN: Correct.

9 MR. KRIS SAXBERG: And what Centra wants to  
10 do is to put Manitoba Hydro finance and rental debts as the  
11 very first priority; is that right?

12 MR. VINCE WARDEN: Well, I wouldn't quite  
13 describe it that way. We're describing how, in Tab A, we're  
14 describing how we plan on applying those payments. Manitoba  
15 Hydro happens to be at the first of that list but it's --  
16 it's on a prorated basis as we discussed with Mr. Peters.

17 MR. KRIS SAXBERG: And that's what I want to  
18 get into because I don't read these changes the same way that  
19 you're reading them. And when I see, for instance, under 9  
20 (a)(I) it says:

21 "Manitoba Hydro finance and rental arrears  
22 and related interest pro rata"

23 That, to me, means the pro rata is between the  
24 finance charges and the rental arrears; is that not the way  
25 you're reading it?



1 (BRIEF PAUSE)

2

3 MR. VINCE WARDEN: I can understand how  
4 you're reading it in that manner but that isn't the intent  
5 here. The intent is as we discussed previously to apply  
6 payments on a pro rata basis assuming that they're of equal  
7 vintage.

8 If -- if they're, of course, of a -- the  
9 oldest arrears would be -- the payments would be applied to  
10 the oldest arrears first but, subsequent to that, it would be  
11 -- the payments would be applied prorated to each of items  
12 one (1), two (2) and three (3).

13 MR. KRIS SAXBERG: And if I look at Section  
14 9(a)(ii) there it says:

15 "Natural gas and electricity charges,  
16 including related latepayment charge, pro  
17 rata."

18 And that, to me, indicates a pro rata between  
19 the gas and the electric charges; again, that's not the  
20 intention?

21

22 (BRIEF PAUSE)

23

24 MR. VINCE WARDEN: The intention -- the  
25 intention is as I indicated earlier to apply to the

1 electricity and gas charges pro rata. Yes.

2 MR. KRIS SAXBERG: For that line, for item  
3 9(a)(ii) the pro rata isn't with respect to pro rata vis-a-  
4 vis gas and electric charges and finance and rental arrears,  
5 correct?

6 MR. KRIS SAXBERG: Well, I think we are  
7 talking semantics here really. You know, the intent is as  
8 I've described, the payments will be applied, pro rata, to  
9 all charges including the three (3) items described in 9(a).

10 MR. KRIS SAXBERG: This then, Mr. Warden,  
11 could speed up my -- my cross-examination on this whole area.  
12 If there's an uncertainty with respect to how the Board or  
13 whoever -- whatever other body has to interpret these  
14 provisions -- if there is some uncertainty there, would you  
15 be prepared to revisit the wording so that it said that --  
16 more clearly that all of these three (3) types of payments  
17 are to be paid pro rata with respect to arrears of equal  
18 vintage?

19 MR. VINCE WARDEN: Yes. If it's not entirely  
20 clear, we absolutely want to make it clear. And if it's  
21 being read the way you seem to have read it then we want to  
22 -- we would want to make it clearer.

23 MR. KRIS SAXBERG: And just to make the  
24 record as clear as possible, the -- you didn't intend by  
25 these amendments to have Manitoba finance and rental charges

1 paid off as a priority before anything else was dealt with  
2 when you're -- when you're dealing with arrears of equal  
3 vintage?

4 MR. VINCE WARDEN: That's right.

5 MR. KRIS SAXBERG: And you also indicated on  
6 the record, I think very clearly, that customers have the  
7 choice with respect to which of these accounts -- charges  
8 they want to pay first if they're only making a partial  
9 payment?

10 MR. VINCE WARDEN: To the extent that they're  
11 all of equal vintage; with that qualification, yes, the  
12 customers would have the choice.

13 MR. KRIS SAXBERG: Well, and that's why I'm  
14 thinking that the section may also be unclear from that  
15 perspective because it reads, quote:

16 "Payments/credits received from the  
17 customer will be applied to the oldest  
18 arrears first unless otherwise specified by  
19 the customer. With respect to arrears of  
20 equal vintage, the following payment order  
21 will apply."

22 To me, that omission, with respect to the  
23 customer having the choice, seems to indicate that -- that  
24 where there's arrear of equal vintage, there's an automatic  
25 system that kicks in. Are you reading it that way?

1                   MR. VINCE WARDEN:    Again, I can see how you  
2 would read it that way.  Yes, I -- I can accept your position  
3 on that.  The intention, as I indicated though, is to,  
4 whether those arrears are of equal vintage they will be  
5 prorated, absent direction from the customer.  But if the  
6 customer directs us otherwise, then we will apply the -- the  
7 -- the payment as directed by the customer.

8                   MR. KRIS SAXBERG:    Thank you for that.  So,  
9 that would be easily remedied by simply adding in the words,  
10 "unless otherwise specified by the customer.", correct?

11                   MR. VINCE WARDEN:    Yes.

12

13                                       (BRIEF PAUSE)

14

15                   MR. KRIS SAXBERG:    And to be clear, I -- I  
16 have, in my Book of Documents, an excerpt from the Terms and  
17 Conditions of Billing and Collection Services but there --  
18 there's also similar provisions in the -- in the main terms  
19 and conditions document that Centra has.  Correct?

20                   MR. DARREN RAINKIE:    That's correct.  We  
21 included both of those in Tab 9 of the Application for  
22 Approval.

23                   MR. KRIS SAXBERG:    What's the name of that,  
24 just for the record?

25                   MR. DARREN RAINKIE:    I think it's the -- the

1 general one is just Centra's Terms and Conditions of Service  
2 and then -- of -- of Gas Service -- and this is the Billing  
3 and Collection Service that you have in your document.

4 MR. KRIS SAXBERG: Sorry, and -- isn't it the  
5 Schedule of Sales and Transportation Services and Rates?

6 MR. DARREN RAINKIE: That's what the header  
7 says. I guess we affectionately refer to it as the Terms and  
8 Conditions of Service --

9 MR. KRIS SAXBERG: Commonly known as that.  
10 So, everything that you've said, Mr. Warden, would -- would  
11 apply equally with respect to the document we commonly refer  
12 to as terms and conditions of service?

13 MR. VINCE WARDEN: Yes, I don't think I've  
14 said anything that would contradict anything that's in the  
15 existing Schedule of Sales and Transportation Services.

16 MR. KRIS SAXBERG: Now, in CAC 23, there was  
17 a comment made by the Applicant that Hydro -- the amendments  
18 allow for Hydro to offer more favourable loan rates.

19 And what I want to know is -- or have you  
20 confirm on the record is -- that based on the discussion  
21 we've just had that those changes to the terms and conditions  
22 of service, there really is no relation then to the loan rate  
23 that Manitoba Hydro has or that Centra has for financing or  
24 other similar matters? In other words, that these changes  
25 that are being proposed in this proceeding --

1 MS. MARLA MURPHY: Could you just give us a  
2 minute, please?

3 MR. KRIS SAXBERG: Sorry.  
4

5 (BRIEF PAUSE)  
6

7 MR. VINCE WARDEN: Mr. Saxberg, as I read  
8 that IR, it's a past -- it's a statement of past tense. I  
9 think your question was will -- would these changes help us  
10 to offer more favourable rates. I see the line that says:  
11 "Manitoba Hydro, non-energy items received  
12 favourable rates based on these charges  
13 being paid before energy charges."  
14 I think that was with respect to past  
15 contracts that have been entered into. If I understood your  
16 question correctly.

17  
18 CONTINUED BY MR. KRIS SAXBERG:

19 MR. KRIS SAXBERG: Okay. So, you're  
20 confirming on the record that the changes that are being put  
21 forward in this Application, aren't in any way going to out  
22 -- increase or -- or improve Hydro's ability to offer  
23 interest rates as it does?

24 MR. VINCE WARDEN: I'm sorry, did you say  
25 improve Hydro's ability to offer interest rates?

1 MR. KRIS SAXBERG: You don't need these  
2 changes that you're putting forward, in order to keep the 6.5  
3 percent interest rate?

4 MR. VINCE WARDEN: Oh, no. I'm sorry. No,  
5 not at all, no.

6 MR. KRIS SAXBERG: And can I --

7 MR. VINCE WARDEN: Unrelated.

8 MR. KRIS SAXBERG: And I apologize for the  
9 awkwardness of the question.

10 That does speed up -- it takes care of a lot  
11 of the questions that I had. So, I want to then move to the  
12 bill, which is at Tab E. Now, do you agree that the western  
13 opinion research that was done recently, concluded that  
14 customers want to have a bill that is easier to understand  
15 and that is simpler?

16 MR. VINCE WARDEN: Yes, that's an objective,  
17 for sure.

18 MR. KRIS SAXBERG: And I think I heard you  
19 providing evidence earlier, that you're designing the new  
20 mock-up -- mock-ups in the new one (1) bill with that  
21 recommendation in mind?

22 MR. VINCE WARDEN: Yes, for sure.

23 MR. KRIS SAXBERG: And you said that there'd  
24 already been some focus groups, but there may be others?

25 MR. VINCE WARDEN: That's what I said, yes.

1 I'm aware they had some discussions with customer groups and  
2 I think they are planning on having more in the future.

3 MR. KRIS SAXBERG: And maybe you'll recall --  
4 recall that when I asked Ms. Stewart about why these -- my  
5 clients weren't invited to participate in -- or view the  
6 focus groups with respect to the derivative hedging research,  
7 Ms. Stewart replied that that was an oversight on -- on her  
8 part.

9 Can I ask that the company consider whether my  
10 clients would be able to participate in viewing the focus  
11 groups that -- that analyze the new bill?

12 MR. VINCE WARDEN: Actually I think that's a  
13 great idea, we would welcome that.

14 MR. KRIS SAXBERG: Thank you for that.  
15 Now, can you confirm on the record that there  
16 will be no information removed from the bill as it stands  
17 today, that it'll be simplified, but you won't be eliminating  
18 any information?

19 MR. VINCE WARDEN: Yes, that's the -- the  
20 challenge we have is to keep the detail there, but to put it  
21 into a format that's more easily understood than it is today,  
22 or at least will facilitate understanding more so than what  
23 we have on the bill today.

24 MR. KRIS SAXBERG: And did I hear you say  
25 that you wouldn't be opposed to having check boxes, or



1 something like that, so the customers could determine the  
2 priority of their payments, if they're only -- if they're  
3 making a partial payment?

4 MR. VINCE WARDEN: We hadn't really  
5 contemplated check boxes, because remember that -- remember  
6 we're talking about customers that don't pay their bills on  
7 time is really a very, very small number.

8 So, I wouldn't want to clutter up our bill  
9 with unnecessary information for a small minority of  
10 customers.

11 MR. KRIS SAXBERG: But, I think you'd said  
12 there was perhaps going to be some opportunity or some  
13 information with respect to advising --

14 MR. VINCE WARDEN: Yes, there'll be  
15 communication with those customers as to what their options  
16 are.

17 MR. KRIS SAXBERG: It may not be on the bill,  
18 it could be in an insert; is that what you're saying?

19 MR. VINCE WARDEN: Yes.

20 MR. KRIS SAXBERG: And I just want to be  
21 clear on this, you were equivocating about whether or not  
22 you'd file the new bill at the GRA. You weren't sure whether  
23 you'd do that or not; that's fair?

24 MR. VINCE WARDEN: I think, unless there's a  
25 reason for doing it, we wouldn't -- wouldn't normally file a

1 copy of the bill in a GRA.

2 MR. KRIS SAXBERG: But earlier I thought I  
3 heard you say that you would be open to having the new bill  
4 format provided to the Board in advance, firstly?

5 MR. VINCE WARDEN: Certainly, by way of  
6 information, if the Board expressed an interest in -- in  
7 looking at the bill. I guess, I wouldn't really want to be  
8 in a position where we were waiting for the approval of the  
9 Board of a bill format.

10 But if the Board had an interest in what the  
11 bill looked like, I have no objection, of course, to filing a  
12 copy of that bill at any time.

13 MR. KRIS SAXBERG: Okay. And that's what I  
14 wanted to know. You're not going to seek approval from this  
15 Board before issuing the one (1) bill in November 2005?

16 MR. VINCE WARDEN: That isn't our intention,  
17 no.

18 MR. KRIS SAXBERG: Now, I want to talk about  
19 some of the other changes to the terms and conditions and,  
20 specifically, the request to move from fixed tolls or charges  
21 for labour rates to variable charges.

22 And when I characterize it that way; is that  
23 fair?

24  
25

(BRIEF PAUSE)

1

2 MS. KELLY DERKSEN: I think that's fair, sir.

3 MR. KRIS SAXBERG: And I'll just be blunt for  
4 the record, I say variable because although at one time --  
5 one moment the rate may be as you pointed out in Tab C, which  
6 is mostly seventy-four dollars (\$74) for certain functions,  
7 it may be that at one point.8 But every quarter Hydro re-analyses its cost  
9 allocation and that may change the rate, correct?10 MS. KELLY DERKSEN: It may change the rate  
11 but I don't want to -- the implication of your statement is  
12 that, you know, it could change from seventy-four dollars  
13 (\$74) to a thousand dollars (\$1,000) and I don't want to  
14 leave on the record that that's what would happen.15 The reason we assess it on a quarterly basis  
16 is to ensure its accuracy, not to -- and not for any other  
17 reason.18 MR. KRIS SAXBERG: Well, I just want to  
19 understand that -- what flows from the Application. If the  
20 Board approves various cost-based rates depending on the  
21 nature of the work performed, what that means is that there  
22 can be a new rate every quarter set by Centra that wouldn't  
23 be reviewed by this Board? And I said, "could be".24 MS. KELLY DERKSEN: That is a possibility.  
25 But I think our overall proposal is that, first and foremost,

1 that the Public Utilities Board has already approved the  
2 costing methodology between electric and gas.

3                   Secondly, the Public Utilities Board reviews,  
4 from time to time, Centra's total quantum of the costs of  
5 operations. And so, from those two perspectives, it's -- we  
6 think it's reasonable that we don't have a specific charge in  
7 the terms and conditions of service for these particular  
8 services.

9                   And, in addition to that, I might add that  
10 there are a number of locations or a number of services that  
11 we already provide that are included in the terms and  
12 conditions of service that do not attach to them a specific  
13 rate.

14                   MR. KRIS SAXBERG:    The fully loaded rate,  
15 which you're also calling the cost-based rate, correct?

16                   MS. KELLY DERKSEN:    Yes, sir.

17                   MR. KRIS SAXBERG:    It was reviewed by this  
18 Board at last year's GRA, correct?

19                   MR. VINCE WARDEN:    Well, the methodology was  
20 approved by this -- or reviewed by this Board at the last  
21 GRA.

22                   MR. KRIS SAXBERG:    And during that process  
23 there were -- there was evidence about what the particular  
24 fully loaded rate would be for -- for certain functions; is  
25 that not the case?

1 MR. VINCE WARDEN: At a -- at a given point  
2 in time, yes.

3 MR. KRIS SAXBERG: And the Board would have  
4 been using that information to approve the overall  
5 methodology, correct?

6 MR. VINCE WARDEN: That's fair, yeah.

7 MR. KRIS SAXBERG: But in the intervening  
8 time, Hydro takes the opportunity to adjust that fully loaded  
9 rate, correct?

10 MR. VINCE WARDEN: To reflect changing  
11 conditions, labour agreements that have been settled,  
12 inflation, et cetera, those -- those types of costs so, the  
13 rate is intended to reflect the costs that we're incurring.

14 MR. KRIS SAXBERG: To ensure that no matter  
15 what happens, all of your costs actually incurred are going  
16 to be recovered?

17 MR. VINCE WARDEN: From the people that are  
18 deriving the benefits of those services, yes.

19 MR. KRIS SAXBERG: So, then the specific  
20 fully loaded rates of -- for different functions, has not  
21 then been approved by this Board; just the general  
22 methodology?

23 MR. VINCE WARDEN: That's correct.

24 MR. KRIS SAXBERG: And I just want to  
25 understand this -- and this is broad, conceptual stuff.

1 Centra appeared before this Board last year and -- and put  
2 forward this allocation process, which indicated that  
3 firstly, there are no employees of Centra Gas -- Centra Gas  
4 has no employees?

5 MR. VINCE WARDEN: Correct, all Centra --  
6 former Centra employees have now become Manitoba Hydro  
7 employees.

8 MR. KRIS SAXBERG: And Manitoba Hydro  
9 employees, when they're doing gas related work, make note of  
10 that, and it may be on time sheets, and it may be by other  
11 means?

12 MR. VINCE WARDEN: It is on time sheets.

13 MR. KRIS SAXBERG: They keep track of the  
14 work that they're doing on the gas side, and then that's  
15 recorded and it's accumulated in a -- I can't remember what  
16 the term was again, but a cost centre, or a work centre, or  
17 something like that?

18 MR. VINCE WARDEN: Yes, just to be clear  
19 though, those employees are recording those costs both elect  
20 -- on electricity and gas, it's not only on the gas side of  
21 the business.

22 So, employees that are doing work, and we've  
23 referred to it as on orders. So, they charged their time to  
24 orders, and -- and the costs are split between electricity  
25 and gas on that basis.

1 MR. KRIS SAXBERG: So, the gas orders that  
2 accumulate through the whole year, would they include someone  
3 who's gone out, a Hydro employee who's gone out to do a  
4 repair at a home, would -- would that employee have marked on  
5 his time sheet that he did some service work, and -- and  
6 record those hours so that they wind up in the gas order?

7 MR. VINCE WARDEN: Yes.

8 MR. KRIS SAXBERG: Okay. And then at the  
9 next GRA, when you provide evidence to this Board, will you  
10 not be showing that the entire cumulative impact of all of  
11 the gas orders in saying, listen, here's the actual costs  
12 that -- that should be attributed to Centra, as a result of  
13 the work done and recorded by Hydro employees?

14 MR. VINCE WARDEN: Cost minus recoveries,  
15 yes.

16 MR. KRIS SAXBERG: Okay. So, you're ahead of  
17 me. So, that I want to make sure then that with respect to  
18 that Hydro employee that's doing repair work, that if there's  
19 been a recovery from that specific customer, then that will  
20 be deducted from your estimate of O&M.

21 MR. VINCE WARDEN: Not the estimate, but from  
22 the actual costs incurred for O&M, yes.

23 MR. KRIS SAXBERG: Okay, thank you. That  
24 clears that up.

25 If we're looking then at Centra -- or at Tab C

1 -- CAC-22, is it -- is it fair to say that for the most part,  
2 for most services, that what you're asking for is an increase  
3 from the fifty-five dollar (\$55) labour rate now, to a  
4 seventy-four dollar (\$74) labour rate?

5 MS. KELLY DERKSEN: Mr. Saxberg, this is just  
6 to per -- to provide some information as to the types of  
7 services that we provide, this is not to suggest that  
8 seventy-four dollars (\$74) is on average the cost that it --  
9 for a number of different services.

10 It just happened to be that the services that  
11 we identified were, in several instances, seventy-four  
12 dollars (\$74) per hour.

13 MR. KRIS SAXBERG: If -- if you flip to the  
14 very last page on that same tab there's a breakout. What's  
15 in the seventy-three dollar and eighty cent (\$73.80) activity  
16 rate? What does that consist of?

17 MS. KELLY DERKSEN: There would be wages,  
18 benefits, vehicles, tools and so forth.

19 MR. KRIS SAXBERG: That's the fully loaded  
20 rate but without overhead so somewhat loaded?

21 MS. KELLY DERKSEN: That does not include  
22 overhead, yes.

23 MR. KRIS SAXBERG: So, is that the only thing  
24 that it doesn't include? It includes all the other costs  
25 that need to be incurred by the company in order to have that



1 -- that journeyman go out and do some work except general  
2 overhead?

3 MS. KELLY DERKSEN: In terms of labour costs,  
4 yes. Of course, there would be any material costs that would  
5 be -- that may be incurred in addition to that, that the  
6 customer would also be responsible for.

7 MR. KRIS SAXBERG: And I just want to compare  
8 this schedule in this presentation to the one that's at the  
9 next tab -- in the last page of the next tab. This is an  
10 answer to an undertaking that was provided a couple of years  
11 ago at a cost of gas application; is that -- you'd agree with  
12 that?

13 MS. KELLY DERKSEN: Subject to check, yes,  
14 sir.

15 MR. KRIS SAXBERG: And at that time the  
16 request was made to provide a break out of the costs to  
17 support a fifty dollar (\$50) charge for re-connection fee?

18 MS. KELLY DERKSEN: I see that. Yes.

19 MR. KRIS SAXBERG: And I'm -- how do you  
20 reconcile these two (2) presentations?

21 MS. KELLY DERKSEN: They're for two  
22 completely different services, Mr. Saxberg.

23 MR. KRIS SAXBERG: Well, and I appreciate  
24 that. One -- one -- they're opposite. I guess, one's  
25 disconnection, one's re-connection?

1 MS. KELLY DERKSEN: No, sir. Well, I think  
2 -- I think the answer is that one is to move -- remove on a  
3 temporary basis, meters, regulators and so forth when a  
4 customer is doing some work at their property -- some kind of  
5 construction work on their property. We'd have to go out and  
6 physically remove the meter on a -- on a temporary basis to  
7 allow for that construction to occur.

8 The undertaking that was provided a couple of  
9 years ago is for customers who request or perhaps don't  
10 request for a disconnection of their -- what happens is some  
11 customers will have their meters disconnected for non-  
12 payment, for example, and this is the cost that we would  
13 charge to reconnect their service.

14 So, to take the pin out of the meter, for --  
15 for example.

16 MR. KRIS SAXBERG: I thought it was for re-  
17 connection?

18 MS. KELLY DERKSEN: Yes, it is for the re-  
19 connection to take the pin out of the meter.

20 MR. KRIS SAXBERG: Oh, okay. Are both of  
21 these services undertaken by the same type of employee, an  
22 ADO?

23 MS. KELLY DERKSEN: I do not believe so, sir.

24 MR. KRIS SAXBERG: Are they both -- take the  
25 same amount of time? They're both listed here as being one

1 (1) hour?

2 MS. KELLY DERKSEN: Presumably it would take  
3 more time to actually physically remove a meter than it would  
4 be to put a pin -- or to take a pin out of the meter. I  
5 think in one -- in the Undertaking No. 12 they're likely  
6 maybe a minimum charge recognizing that we have to drive out  
7 to the property, take the pin out of the meter and then  
8 return to wherever the employee has to return to.

9 MR. KRIS SAXBERG: You'll just have to excuse  
10 me for the lack of knowledge, but wouldn't the disconnect be  
11 putting the pin in, the re-connect be putting it out?

12 MS. KELLY DERKSEN: We don't charge to  
13 disconnect a meter, Mr. Saxberg. And it is -- we put a pin  
14 in the meter when we stop service to a customer for -- for  
15 whatever reason. There's a pin that actually goes in the  
16 metre that stops the gas from flowing.

17 MR. KRIS SAXBERG: I see. That's different  
18 from a temporary disconnection where -- where, presumably,  
19 there's -- there's more work and a metre has be removed or  
20 other elements of the assets?

21 MS. KELLY DERKSEN: Yes, that's what I'm  
22 saying.

23 MR. KRIS SAXBERG: Now, if variable rates are  
24 approved, do you not agree then, that it takes some of the  
25 responsibility away from this Board to -- to approve specific

1 rates and charges from the gas -- of the gas company,  
2 particularly given your acknowledgment that this Board's  
3 never reviewed the specific fully-loaded rates of Centra Gas?

4 MR. VINCE WARDEN: Well, it is providing the  
5 Utility with some flexibility to charge those customers more  
6 precisely for the services that they receive. With a  
7 standard rate, we could have some cross-subsidization  
8 occurring between some customers so we -- we see this as  
9 providing the Utility with that flexibility but within -- all  
10 within the framework of the approved methodology that -- that  
11 has been -- been reviewed by this -- this Board in the past  
12 and will continue to be reviewed by this Board.

13 MR. KRIS SAXBERG: The overall methodology  
14 but not the specific fully-loaded labour rates.

15 MR. VINCE WARDEN: Yes.

16 MR. KRIS SAXBERG: And under the old method  
17 of -- of doing things, Centra was or was not trying to  
18 recover all of the costs of -- of the labour?

19 MR. VINCE WARDEN: Well, we would be trying  
20 to recover all of our costs, no question about that. It's  
21 just the customers for -- that we recover those costs from  
22 may not be as refined as it could or -- or should be.

23 MR. KRIS SAXBERG: No, I -- I guess what I  
24 meant was, there's been a change of ownership for the gas  
25 company and as a result of that you're asking to recover all

1 of your costs -- and when I say, "all", I mean every one (1)  
2 of them including the overhead and all -- and all of the  
3 fully-loaded aspects -- of the costs of providing the service  
4 but that wasn't the case under the old ownership?

5 MR. DARREN RAINKIE: Mr. Saxberg, I don't  
6 think we had the accounting system to undertake even what  
7 we're proposing today. That -- that might be another factor  
8 in here. I'm not sure it's just ownership.

9 Centra did not have a fully allocated  
10 accounting system like SAP. I don't -- I don't think we had  
11 the equivalent that gives us the ability to even do this.

12 MS. KELLY DERKSEN: And I wanted to add, Mr.  
13 Saxberg, it sounds like you're suggesting that there's not  
14 already a precedent set for this type of recovery of costs.  
15 In fact, there are numerous locations within the terms and  
16 conditions of service, for example, something that we call  
17 other services, and we provide that at a cost-based fee.

18 So, that precedent is already -- already  
19 exists within the terms and conditions of service which  
20 really are there to provide a general guideline for service  
21 that we provide to customers.

22 MR. KRIS SAXBERG: But there are also  
23 specific tolls/charges in those terms and conditions,  
24 correct?

25 MS. KELLY DERKSEN: That's true.

1 MR. KRIS SAXBERG: And a case was made in  
2 support of those specific charges to the Board at one (1)  
3 time or another and the Board approved it, correct?

4 MS. KELLY DERKSEN: That's true.

5 MR. KRIS SAXBERG: And shouldn't it be --  
6 shouldn't that same process occur here whereby you present  
7 exactly what the fully-loaded labour rate should be and  
8 present that evidence and that the Board approves it and that  
9 you're not then allowed to change it until you submit  
10 evidence again that it needs to be changed? Shouldn't it be  
11 the same sort of process?

12 MR. DARREN RAINKIE: Mr. Saxberg, I think  
13 this is also an issue -- issue of practicality. Are we going  
14 to come in front of the Board every quarter with fifty (50)  
15 different rates for the amount of revenue that -- that's  
16 being generated out of these miscellaneous services?

17 I mean it's -- there -- there's part of that  
18 in there as well, I think, because we're -- we're attempting  
19 to recover the costs of providing various miscellaneous --  
20 I'll underline the word, "miscellaneous services" -- through  
21 a cost allocation methodology that was reviewed by and  
22 approved by the Board and the Board, and -- and the Board  
23 from time to time looks at the overall operating cost level.

24 So, there's a -- there's a certain amount of  
25 efficiency in this as well, I think, built into this

1 proposal. I mean, if we had to come in front of the Board  
2 for an application for every time the rate changed, I don't  
3 know, I'm not sure about what the cost of that would be and  
4 how we would even do that.

5 MR. KRIS SAXBERG: Well, you -- you're here  
6 at least once a year, correct -- I mean, with a Cost of Gas  
7 Application? And that's what this is, and you're putting  
8 forward your terms and conditions; why couldn't you do it  
9 then?

10 MR. DARREN RAINKIE: We talked about our  
11 labour rates changing quarterly, so I guess we'd have to do  
12 it four (4) times a year, and I'm not sure it's worth it at  
13 that point.

14 MR. KRIS SAXBERG: Well, do you need that  
15 level of precision? I mean, do you really need that level of  
16 precision with respect to these rates, because Centra's going  
17 to be made whole at the end of the day, whether the rate's  
18 exactly what it costs or not, correct?

19 MR. VINCE WARDEN: The point though isn't  
20 about Centra being made whole, it's for -- to allocate those  
21 costs to the appropriate customers. Ultimately, yes, we have  
22 nowhere else to get those -- any costs we incur comes from  
23 the general customer population. But, to the extent  
24 possible, we'd like to charge the right customers.

25 MR. KRIS SAXBERG: Right. And that's --

1 you're trying to ensure that the costs go to who has caused  
2 them, correct?

3 MR. VINCE WARDEN: Correct.

4 MR. KRIS SAXBERG: And I'm just saying that  
5 with respect to changing at every quarter, that'd be awfully  
6 precise, in order to accomplish that objective of ensuring  
7 that the costs go to who caused them. You wouldn't have to  
8 come for approval every quarter, you'd still be accomplishing  
9 what you want to accomplish in a general sense?

10 MR. VINCE WARDEN: We could -- we could, as  
11 using Mr. Peters' word, build in a spread to cover our risk,  
12 and -- and you know, come every year. But I'm not sure  
13 that's necessarily in the best interests of -- of customers  
14 receiving those services.

15 MR. KRIS SAXBERG: And you indicated that the  
16 customers are going to get an estimate of what the work will  
17 cost before it's done, correct?

18 MS. KELLY DERKSEN: Yes, sir.

19 MR. KRIS SAXBERG: And does the Company  
20 consider itself bound by that estimate?

21

22 (BRIEF PAUSE)

23

24 MS. KELLY DERKSEN: Yes, sir, I do believe  
25 that's the case.



1                   MR. KRIS SAXBERG:    Thank you.  Those are the  
2 questions that I have on this area, and noting the hour, it  
3 may be time for the lunch break?

4                   THE CHAIRPERSON:    Yes, that would be fine.  I  
5 have a question.

6                   Mr. Warden, on an overall basis, like taking  
7 the whole thing into account.  Are the direct costs of  
8 Centra's gas technicians and directly related assets, such as  
9 vehicles and fuel, et cetera, fully recovered by fees to  
10 individual customers?

11                   In other words, Centra has technicians that go  
12 out and disconnect temporarily or permanently and reconnect,  
13 et cetera.  So there'd be a pool of people assigned to that  
14 type of work, presumably, and there would be trucks that  
15 Centra, would have, and parts and materials.

16                   And on an overall basis, if you took all those  
17 costs into account, would they be fully recovered by bills to  
18 individual customers or -- or not?

19                   MR. VINCE WARDEN:    Well, we don't really have  
20 a -- a pool of people dedicated to providing specific  
21 services.  But theoretically, that's what the fee structure  
22 is intending to do except for the safety related type calls  
23 that we talked about earlier, that we don't attempt to  
24 recover those costs.

25                   But theoretically, yes, we recover all our

1 costs through the rates that we're proposing here. They're  
2 -- I want to emphasize though, that there are those --  
3 services are spread across a number of different people, and  
4 we can't say, okay, we've got this group of people and here's  
5 the costs incurred by this group of people, here's the  
6 revenues, and we can't really come to a bottom-line. We  
7 don't -- or at least we don't do that.

8 THE CHAIRPERSON: Well actually, just to  
9 clarify. The safety type of things that you should involved  
10 with the costs you run there are just -- you want to put it  
11 in a simple form or the general overhead costs of the  
12 Corporation that are recovered through a variety of different  
13 approaches.

14 But, with respect to service work of that  
15 particular nature, Centra on an overall basis, is -- is or is  
16 not making a profit from that activity or are your efforts  
17 solely intended, as you put it, to recover the costs at best?

18 MR. VINCE WARDEN: Solely to recover costs,  
19 yes.

20 THE CHAIRPERSON: We'll have our break now,  
21 thanks. 1:30?

22 Mr. Saxberg, is there -- do you have an  
23 estimate for the length of time remaining? I'm just asking  
24 for taking into account the length of the break.

25 MR. KRIS SAXBERG: Yeah, I have an estimate

1 but I can't speak to it's accuracy. But, I'd say about an  
2 hour is all I'll need this afternoon. Hour to an hour and a  
3 half.

4 THE CHAIRPERSON: Then, if it's all right  
5 with everyone here, in case you have any engagements let me  
6 know, but otherwise we'll come back at one o'clock then.  
7 Thank you.

8

9 --- Upon recessing at 12:04 p.m.

10 --- Upon resuming at 1:04 p.m.

11

12 THE CHAIRPERSON: Okay, Mr. Saxberg, whenever  
13 you're ready.

14 MS. MARLA MURPHY: Mr. Chairman, if I could  
15 interrupt.

16 THE CHAIRPERSON: Please.

17 MS. MARLA MURPHY: Just before Mr. Saxberg  
18 gets underway there were a couple of undertakings taken this  
19 morning related to brokers billing their own charges and not  
20 using ABC and the brokers who get WTS service -- or  
21 participate in WTS service in have a rating of triple B or  
22 better that Mr. Rainkie's prepared to speak to.

23 THE CHAIRPERSON: Mr. Rainkie...?

24 MR. DARREN RAINKIE: Thanks, Mr. Chairman.  
25 I've been advised that with respect to brokers who are

1 billing their own primary gas that there are five (5)  
2 different brokers and seven (7) -- with a total of seventy-  
3 eight (78) customers that are billing it themselves so  
4 they're not all in Centra's ABC service.

5                   And that of eleven (11) active brokers in  
6 Manitoba there is one (1) that meets the triple B credit  
7 requirements for participating in WTS but, as indicated  
8 earlier. For those that don't the -- they have some form of  
9 guarantee, either a letter of credit a parental guarantee or  
10 a cash deposit that provides us with the credit assurance  
11 that we need.

12                   THE CHAIRPERSON: Thank you. Mr. Saxberg...?

13                   MR. KRIS SAXBERG: Thank you, Mr. Chairman.

14

15 CONTINUED BY MR. KRIS SAXBERG:

16                   MR. KRIS SAXBERG: Could you turn up Tab C of  
17 my Book of Documents? I'm looking at the first page and  
18 under the schedule of rates the last item "Customer Account  
19 and Complex Billing Inquiries." You see that?

20                   MS. KELLY DERKSEN: Yes, sir, I do.

21                   MR. KRIS SAXBERG: Is that new?

22                   MS. KELLY DERKSEN: Yes, sir, it's something  
23 that got approved through the 2003/04 General Rate  
24 Application, and it is really to bill for services that  
25 require an extreme or an extraordinary amount of time, from

1 customers. For example, we have inquiries from time to time  
2 from customers who are looking for twenty (20) years of  
3 history on a particular property, with respect to their  
4 billing.

5                   So, for things that take a significant amount  
6 of time, we proposed and got approved from the Public  
7 Utilities Board last year, to begin billing for that type of  
8 service.

9                   MR. KRIS SAXBERG: Are there guidelines that  
10 -- that indicate what becomes a complex billing inquiry, and  
11 thus results in a charge?

12                   MS. KELLY DERKSEN: Yes, sir, as we discussed  
13 last year, anything essentially under a half an hour would  
14 not be charged. Anything that takes -- requires a person's  
15 time of more than a half an hour is something that we could  
16 charge for.

17                   MR. KRIS SAXBERG: And this is sort of  
18 apropos of our discussion earlier. If there were no complex  
19 billing inquiries made in a given year, Centra would recover  
20 in its rates a certain amount in any event, for customer  
21 service functions, correct?

22                   MS. KELLY DERKSEN: Centra does incorporate  
23 costs related to the customer service or the customer  
24 accounting function, as part of its rates, yes, we do.

25                   MR. KRIS SAXBERG: And anything -- then if

1 there are complex billing inquiries, there's going to be an  
2 additional source of revenue for the company, correct?

3 MS. KELLY DERKSEN: Yes, that's true.

4 MR. KRIS SAXBERG: And that additional source  
5 of -- of revenue, isn't offsetting an incremental cost that's  
6 being incurred by the company, correct?

7 MR. VINCE WARDEN: It is intended to offset  
8 an incremental cost that's being incurred, yes.

9 MR. KRIS SAXBERG: And what would that cost  
10 be? I mean, does it relate to having to hire third parties  
11 to perform these inquiries, or --

12 MR. VINCE WARDEN: Not -- not necessarily  
13 third parties, but it could, depending on how many of these  
14 we get, it would mean we have to staff for them, and it could  
15 very well involve overtime hours.

16 MR. KRIS SAXBERG: But ultimately, whatever  
17 the total amount of overtime is, and costs that are being  
18 allocated to Centra from Manitoba Hydro Customer Services,  
19 they will form part of the forecast that makes up the -- the  
20 rates that are -- are established, will they not?

21 MR. VINCE WARDEN: Yes, as I mentioned  
22 earlier, on a net basis. So, it would be whatever our  
23 application is for recovery of costs, it would be recovery of  
24 costs on a net basis. So the revenues will be taken into  
25 account.

1 MR. KRIS SAXBERG: And this isn't in any way,  
2 or has it been perceived by any of the customers as being  
3 somewhat of a punitive measure to -- to stop them from making  
4 inquiries that they -- that are too much work for the Company  
5 perhaps, and of little value to the customer?

6 MR. VINCE WARDEN: No, but you know, as we  
7 indicated previously, there are a very small percentage of  
8 customers that don't pay their bills on time. There's a  
9 very, very, very small percentage of customers that, for  
10 whatever reason, make abnormal requests of the Utility.

11 And although it's not a deterrent, we make it  
12 clear to them that if we can provide this information, but  
13 there is a cost associated with it. A cost that would be  
14 unfair to allocate to general ratepayers.

15 MR. KRIS SAXBERG: So, over the year that  
16 this new charge has been in affect, have the -- has the  
17 amount of those requests, those complicated inquiries, been  
18 reduced?

19 MR. VINCE WARDEN: I don't think we have data  
20 on that. Intuitively you would expect a customer, if that  
21 customer is confronted with a cost that would not otherwise  
22 be there, might think twice about the request. So, I would  
23 expect there would be some reduction, but I don't have the  
24 actual numbers to back that up.

25 MR. KRIS SAXBERG: I'm going to move on to

1 the supplementary gas rate rider proposal and I just want to  
2 ask a few questions which I -- I think are -- just to -- to  
3 confirm some information on the record for -- for my  
4 convenience and to set up some questions down the road.

5 Supplemental gas is -- is from American  
6 sources and from delivered services. Correct?

7 MR. BRENT SANDERSON: Generally speaking,  
8 yes. There may be instances where we purchase delivered  
9 service for firm customers on a very cold winter day and that  
10 -- and that source of supply may originate at its origin  
11 somewhere at a Canadian location but we wouldn't be aware of  
12 where that originated. But generally speaking you're  
13 correct, yes.

14 MR. KRIS SAXBERG: And the amount of  
15 supplementary gas that the company needs each year for its  
16 customers is variable, and depends mostly on the weather?

17 MR. BRENT SANDERSON: To a very large extent,  
18 yes.

19 MR. KRIS SAXBERG: And is it true that  
20 supplementary gas is only used in the winter?

21 MR. BRENT SANDERSON: No, I wouldn't say  
22 that. We do use a certain amount of supplemental supplies in  
23 a normal weather year in the shoulder (sic) months of October  
24 and -- and April when we no longer have access to our  
25 seasonal storage requirements. So even in a normal year we



1 would expect some utilization in those months but relative to  
2 the amount of supplement supply required in a normal winter,  
3 that being the period November to March. The amounts in  
4 those shoulder months is comparatively smaller.

5 MR. KRIS SAXBERG: So no supplementary gas,  
6 though, between May and September?

7 MR. BRENT SANDERSON: Well, not for directly  
8 to load requirements as such, meaning that whatever gas  
9 customers require during those months to serve their needs in  
10 real time. But we do purchase supplemental supplies during  
11 the entire summer period to refill our supplemental storage  
12 inventory.

13 MR. KRIS SAXBERG: Now, customers pay for --  
14 supplemental gas, generally speaking, throughout the whole  
15 year. They're not --

16 MS. KELLY DERKSEN: That's true, Mr. Saxberg.

17 MR. KRIS SAXBERG: At present, if you flip to  
18 Tab E just for a moment to illustrate the point, customers  
19 aren't paying anything for supplementary gas -- I'm sorry, I  
20 mean residential customers.

21 MR. BRENT SANDERSON: At the point in time in  
22 question in the bill illustrated in Tab E, that would be  
23 true. But that would only be as a result of the fact that  
24 we're having to reduce their supplemental percentage to zero  
25 because of past over-billings, if you will, in terms of

1 balancing their purchases and billings by the end of the gas  
2 year in question. So, at that point in time yes, the  
3 customers wouldn't have been paying us -- that customer would  
4 not have been paying us any monies in terms of supplemental  
5 gas.

6 MR. KRIS SAXBERG: If we turn to -- and I'm  
7 not suggesting that we do it -- Schedule 5.1.3(a), it would  
8 show that last year residential customers paid for  
9 supplementary gas each month.

10 MS. KELLY DERKSEN: Are you asking if the  
11 billing percentage ever went to zero at any point during last  
12 season?

13 MR. KRIS SAXBERG: Yeah, I think that is the  
14 same thing.

15 MR. BRENT SANDERSON: I would have to -- to  
16 get back to you on whether either the firm or the reputable  
17 customers' supplemental percentage was set at zero at any  
18 point during the last fiscal year. We've got somebody  
19 checking on that.

20 MR. KRIS SAXBERG: Okay.

21 MR. BRENT SANDERSON: So maybe to just add a  
22 bit of preliminary clarification to your reference to that  
23 schedule, the schedule may show supplemental gas cost  
24 recoveries in a given month. And that could indicate that  
25 one (1) group of customers' billing percentage for

1 supplemental was set at zero and another group as in firm or  
2 interruptible could have been set at something other than  
3 zero.

4 MR. KRIS SAXBERG: Right, that -- that could  
5 be explained solely by the supplementary gas interruptible  
6 class?

7 MR. BRENT SANDERSON: As I said, I -- I don't  
8 have the information in front of me as to which -- either the  
9 firm or interruptibles percentage -- whether it was set at  
10 zero at any point last year and at what points during the  
11 year so I just -- I wouldn't want to comment on that until I  
12 have that information in front of me.

13 MR. KRIS SAXBERG: Okay.

14 MS. KELLY DERKSEN: I might add, Mr. Saxberg,  
15 that I do have the information. In February of 2003 we set  
16 the firm customers' billing percentages to 100 percent  
17 primary and zero percent supplemental. And that lasted  
18 between February 1st of 2003 and May 1st of 2003.

19 MR. KRIS SAXBERG: Okay. And maybe this will  
20 just help make the point. So at this time last year the  
21 billing percentage for residential customers was something  
22 other than zero for supplementary gas?

23 MS. KELLY DERKSEN: Yes, that's true.

24 MR. KRIS SAXBERG: Now, there are two (2)  
25 supplemental gas rates, one's for firm customers and one's

1 for interruptible customers; correct?

2 MS. KELLY DERKSEN: Yes, sir.

3 MR. KRIS SAXBERG: Do all firm customers  
4 consume an equal amount of supplementary gas? I think you  
5 said they -- they do, at least on a theoretical basis and  
6 that's how you design your rates?

7 MS. KELLY DERKSEN: We charge supplemental to  
8 all firm customers but not all firm customers consume the  
9 same quantum of supplemental gas. Obviously a residential  
10 customer who uses, on average, thirty (30) to a hundred (100)  
11 cubic metres of gas a year will consume less supplemental  
12 supply than a high volume firm customer, for example.

13 MR. KRIS SAXBERG: Well, just taking out  
14 volume, equalizing volume, I meant as a percentage vis-a-vis  
15 primary gas?

16

17 (BRIEF PAUSE)

18

19 MS. KELLY DERKSEN: I guess there's a couple  
20 of ways to look at it, Mr. Saxberg. First of all, we set a  
21 billing percentage for supplemental gas, say, to be 4  
22 percent, at least in comparison to primary gas.

23 So from that perspective customers on average  
24 would -- their supplemental supplies would represent 4  
25 percent of the total supplies of gas that we provide to a

1 customer.

2                   However, if I were to look at the breakdown of  
3 a bill for a residential customer, I know that approximately  
4 60 percent of that customer's bill pertains to primary gas.  
5 A much smaller portion might be in the neighbourhood of -- I  
6 don't know the percentage but it might be twenty dollars  
7 (\$20) or thirty dollars (\$30) of the year would represent  
8 their portion of supplemental supply.

9                   So, obviously, the proportion to the total  
10 bill would be different between different types of customers.

11                   MR. KRIS SAXBERG: With respect to the  
12 interruptible class, are there not some interruptible  
13 customers that don't use -- that only use gas, sorry, in the  
14 summer?

15                   MS. KELLY DERKSEN: We do have a handful of  
16 customers who consume gas between the months, generally  
17 speaking, of April to October.

18                   MR. KRIS SAXBERG: And they wouldn't be using  
19 any supplementary gas though, would they? Save, for Mr.  
20 Sanderson's qualification about October and April.

21

22

(BRIEF PAUSE)

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24                   MR. BRENT SANDERSON: You know, there's an  
25 endless number of scenarios that we can consider. When I was

1 talking about those shoulder months of October and April,  
2 we're talking in a normal weather year. That doesn't rule  
3 out the possibility that in an extremely cold year that we  
4 could be faced with the necessity to go out and secure  
5 supplemental supplies in the month of September or the month  
6 of May. It's not unheard of.

7                   So, for sake of simplicity, we restrict the  
8 discussion to what we expect on a normal weather year but  
9 that doesn't mean there's never going to be a circumstance  
10 where we might need supplemental supply in some other month.

11                   MR. KRIS SAXBERG: Right now, the billing  
12 percentage for interruptible customers is 38 percent  
13 supplementary gas, 62 percent primary gas?

14                   MS. KELLY DERKSEN: Yes, sir.

15                   MR. KRIS SAXBERG: And for those  
16 interruptible customers that only take gas in the warmer  
17 months, they're still going to wind up paying 38 percent for  
18 supplemental gas?

19                   MS. KELLY DERKSEN: Of the total supply  
20 complement 38 percent; that doesn't mean 38 percent of their  
21 bill is supplemental gas.

22                   MR. KRIS SAXBERG: Oh, they're only using --  
23 that's only 38 percent of the total amount of supplementary  
24 gas being used in that period; is that what you're  
25 suggesting?

1 (BRIEF PAUSE)

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MS. KELLY DERKSEN: My comment, Mr. Saxberg, was in relation to the total bill. If you break down a customer's bill, whether they're interruptible or they're a firm customer, the total bill would be -- for say a residential customer would be 60 percent primary gas, the remaining 30 percent would be a combination of the transportation to Centra rate, the distribution to Centra rate, the supplemental rate, as well as the basic monthly charge.

So, I'm just -- I'm suggesting that a customer's total annual bill is not made up of 38 percent of supplemental gas.

MR. KRIS SAXBERG: And I fully understand that. Just talking about the cost that a customer pays for gas, their -- 38 percent of their gas rate, if they're an interruptible customer, today is the supplementary gas rate? The other sixty-two (62) is the primary gas rate?

(BRIEF PAUSE)

MS. KELLY DERKSEN: Total -- in terms of their total gas supply compliment, 38 percent of what we supply is supplemental gas.

1                   MR. KRIS SAXBERG:    And although the -- the  
2 interruptible customer that I'm speaking of that -- that only  
3 operates in the summer period, isn't actually getting 38  
4 percent of their gas from American or delivered services,  
5 they're paying as though they were; that's the only point I'm  
6 trying to make?

7                   MS. KELLY DERKSEN:    Yes, recognizing that the  
8 38 percent represents an average for all the customers in the  
9 interruptible class.

10                  MR. KRIS SAXBERG:    Now, the billing percent  
11 changes which are made, are they considered on a quarterly  
12 basis?

13                  MR. BRENT SANDERSON:   We look at these  
14 numbers, we review them on a monthly basis, incorporating  
15 actual results as they become available, and revisiting our  
16 forecast every month, due to changes in forecast conditions,  
17 and anticipated supply make-up.

18                  It's our desire, if at all possible, to  
19 achieve this balance between billings and underlying  
20 purchases, in terms of primary and supplemental gas, in a  
21 manner that such that we only adjust these percentages on a  
22 quarterly basis.

23                  In the interests of the sake of simplicity for  
24 the customers, because from a customer's perspective, a  
25 change in billing percent, or the billing percentage splits



1 would have the appearance of a rate change on their bill, and  
2 in light of the fact that we already have four (4) rate  
3 changes on customer's bills, on a quarterly basis annually,  
4 it will be our desire not to add to that by having five (5)  
5 or six (6) due to off quarter changes in the billing  
6 percentages.

7           So, it's a value judgment, and you know,  
8 notwithstanding extraordinary circumstances are, it would be  
9 our hope to try and restrict it to the quarter.

10           MR. KRIS SAXBERG:   And when you -- when you  
11 make an adjustment to the billing percentage, it ultimately  
12 does affect how much a customer is paying for the commodity?

13           MS. KELLY DERKSEN:   Yes -- yes, sir, to the  
14 extent that if we're currently billing a 100 percent and zero  
15 percent, a 100 percent primary and zero percent supplemental.  
16 If you take that 100 percent and you multiply by a rate of  
17 say twenty-six (26) cents and zero percent, multiplied by a  
18 rate of thirty-eight (38) cents, for example, you'll get a  
19 certain total at the end of those calculations.

20           If you were to change that mix such that it's  
21 now 90 percent primary and 10 percent supplemental, you are  
22 going to change the total quantum at the end of that line,  
23 because the price mix has changed.

24           MR. KRIS SAXBERG:   In short, when you adjust  
25 the billing percentage, you adjust rates?

1 MS. KELLY DERKSEN: I would suggest that's --  
2 that's not correct. I would say it has a bill impact, but  
3 the rate itself is not changing.

4 MR. KRIS SAXBERG: And is there notification  
5 of change in billing percentages to the Board with quarterly  
6 primary gas rate applications?

7 MS. KELLY DERKSEN: No, sir, this is an  
8 operational issue, from the fact that we need to balance our  
9 supplies and also brokers need to balance their supplies.  
10 So, from that perspective it's -- we consider it an  
11 operational issue.

12 MR. DARREN RAINKIE: I would note, Mr.  
13 Saxberg, that in the quarterly PGVA report that we provide to  
14 the Board, we indicate what the percentages have been.

15 MR. KRIS SAXBERG: Would --

16 MR. BRENT SANDERSON: And I just might also  
17 add that in terms of trying to manage these billing  
18 percentages to the -- to the most accurate extent possible,  
19 we -- we try and hold off on billing percentage adjustments  
20 until such time as we have as much actuals in hand as we can.

21 And if -- if we were to include notification  
22 of anticipated primary gas adjustments with the primary gas  
23 rate application, that would move us back a month or preclude  
24 us from using an additional month of actuals in our -- in our  
25 assessment of the need to change those percentages.

1                   So we could find ourselves in the situation  
2 where we would be notifying the Board that we expect that  
3 there's going to be a billing percentage adjustment before  
4 the commencement of the next gas quarter we acquire  
5 additional month of actuals and find out that there's no  
6 longer a need for any billing percentage adjustment.

7                   So, we like to wait as long as we can to get  
8 as much actuals in hand for each gas quarter's assessment.

9                   MR. KRIS SAXBERG:    And, Ms. Derksen, you  
10 disagreed with me that the changing of the billing  
11 percentages is -- amounts to a rate increase, but you did say  
12 it certainly does amount to having a bill impact.  It could  
13 be a positive or negative?

14                  MS. KELLY DERKSEN:    It could be, yes.

15                  MR. KRIS SAXBERG:    And given that customers  
16 usually have a concern as to whether the bills are going up  
17 or down, you're saying that because of the administrative  
18 complexities it -- it may not be appropriate to provide  
19 notice in -- during the quarterly adjustment process?

20                  MR. DARREN RAINKIE:   Mr. Saxberg, notice  
21 during the quarterly adjustment process; the process now is  
22 that we provide a bill insert and a press release after the  
23 Board's decision.  That was recently changed.

24                  We no longer publish notices in the paper  
25 before the rate change.  I just wanted to make that

1 clarification.

2 MR. KRIS SAXBERG: And I -- I understand  
3 that. But as part of the information that you file with the  
4 Board, do you not tell the Board, here's the impact of what  
5 we're going to do this quarter, it's going to have this  
6 effect on a typical residential customer's monthly bill?

7 MR. DARREN RAINKIE: I think Mr. Sanderson  
8 just indicated that those decisions are made fairly close to  
9 the implementation date of the -- of the new primary gas rate  
10 for operational reasons.

11 If we have to make those kind of decisions  
12 earlier, then we might negate the reason for doing them in  
13 the first place, like if we don't -- he doesn't have that  
14 extra month's information to determine how the adjustment  
15 should be.

16 So, we're making more of a theoretical  
17 adjustment I think at that point, than -- than one (1) that  
18 will actually get us to the billing percentages that we want  
19 at the end of the year.

20 Keeping in mind that this whole process of  
21 changing billing percentages is to get us back to a certain  
22 mix by the end of that gas year.

23 MR. KRIS SAXBERG: Would you agree with me  
24 though, that the customer impact information that you provide  
25 the Board during that quarterly rate changing process may be

1 incorrect if you make a decision to change the billing  
2 percentage?

3 MR. DARREN RAINKIE: No, I think we're  
4 indicating to the customer what the impact of the change in  
5 the rate is on their bill. The billing percentages will be  
6 what they -- what they are.

7 Rate impact calculations by their nature, are  
8 forward looking. They say to the customer, if your current  
9 rate is maintained, here's what your bill is. If your new  
10 rate comes in, here's what your bill is. And if you're doing  
11 those two (2) forward looking calculations, you're going to  
12 have an equal billing percentage on either side. So, I think  
13 that isn't part of that equation.

14 MR. BRENT SANDERSON: I might also add if I  
15 may, before we turn it back to Mr. Saxberg, that this billing  
16 percentage issue is largely a weather issue, and no different  
17 from the fact that if it's colder than normal, for example,  
18 customer's loads are different than they would be in a normal  
19 year. When we report bill impacts, we hold all other factors  
20 constant.

21 Underlying that, in reality, customers may be  
22 using more or less gas than normal due to differences in  
23 weather. And it's not -- it's not practice to report bill  
24 impacts taking into account the weather -- variances in  
25 weather and how those affect the customers' bills.

1                   And this bill percentage issue is no  
2 different.

3                   MR. KRIS SAXBERG:   Now, would you agree that  
4 the percentage adjustments are variable on a month -- on a  
5 quarterly basis and certainly on a year-over-year basis?  
6

7                                   (BRIEF PAUSE)

8  
9                   MR. KRIS SAXBERG:   Let -- do you want me to  
10 further explain the question?

11                   MR. DARREN RAINKIE:   Could you please, Mr.  
12 Saxberg?

13                   MR. KRIS SAXBERG:   That the billing  
14 adjustments that you made last year aren't going to be  
15 duplicated by the billing adjustments you make this year in  
16 -- in percentage terms.

17                   MR. BRENT SANDERSON:   I guess you'd have to  
18 be clear in terms of what you mean by a billing adjustment;  
19 do you mean rate adjustments?

20                   MR. KRIS SAXBERG:   Sorry, I meant billing  
21 percentages? I'm still on billing percentages.

22                   MR. BRENT SANDERSON:   And I apologize but  
23 could you, with that clarification, could you repeat the  
24 question one -- one additional time.

25                   MR. KRIS SAXBERG:   You know what, I

1 apologize. This is on me. Shake my head and start again.

2 Last year in 2003/'04 during the course of  
3 that year every quarter you considered whether you should  
4 adjust the billing percentage, correct?

5 MR. BRENT SANDERSON: Yes, we considered it  
6 every quarter, yes.

7 MR. KRIS SAXBERG: And you made changes in  
8 some of those quarters, correct?

9 MR. BRENT SANDERSON: That's correct.

10 MR. KRIS SAXBERG: This year you'll do the  
11 same in the forecast year, '04/'05. Every quarter you'll  
12 make consideration and you'll, some of those quarters, make  
13 billing percentage adjustments, correct?

14 MR. BRENT SANDERSON: We may have to. Yes.

15 MR. KRIS SAXBERG: And those adjustments will  
16 be -- will not necessarily be the same as the adjustments you  
17 had made in the previous year on those quarters?

18 MR. BRENT SANDERSON: Not necessarily. No.

19

20

(BRIEF PAUSE)

21

22

23 MR. KRIS SAXBERG: And that takes me then to  
24 -- I just want to discuss what some of the negatives are with  
25 respect to refunding by way of a rider. And when I say  
"refunding", I'm speaking of the \$16.5 million.

1                   Is it not the case that the refund is going to  
2 be based on 2004/2005 forecasted volumes and billing  
3 percentage adjustments?

4                   MS. KELLY DERKSEN: No, sir. Our proposal is  
5 to incorporate the -- the supplemental -- I think you're  
6 speaking of the supplemental refund that is due to customers,  
7 through the distribution to customer rate over total volumes  
8 and will not be subject to billing percent changes.

9                   MR. KRIS SAXBERG: But total volumes includes  
10 supplementary gas?

11

12   (BRIEF PAUSE)

13

14                   MS. KELLY DERKSEN: I'm not sure what -- what  
15 -- what the particular issue is but the point that we're  
16 trying to make is that to refund the supplemental volumes  
17 more evenly throughout the year, we want to recover them over  
18 total volumes so that they're not subject to changes in  
19 billing percentages which might impede the ability to refund  
20 in this -- recover or, in this case, refund the supplemental  
21 dollars.

22

23                   MR. KRIS SAXBERG: If the -- if the  
24 supplemental gas PGVA rider was part of the supplemental gas  
25 rate today, it would be refunding exactly zero to residential  
customers, correct?



1 (BRIEF PAUSE)

2

3

MR. BRENT SANDERSON: That would be true.

4 And that's the key point here that we're trying to make is,  
5 we don't feel that the recovery or refunding of supplemental  
6 PGVA amounts from past periods should be affected by  
7 operational considerations vis-a-vis the supplemental gas  
8 billing percentages which are dealing with weather variance  
9 issues taking place in the current period.

10

MR. KRIS SAXBERG: And we're refunding money  
11 that was overpaid by customers with respect to their  
12 supplementary gas rates, correct?

13

MS. KELLY DERKSEN: That's true.

14

MR. KRIS SAXBERG: And they used -- and it's  
15 -- in the year that this refund built up, which is 2003/04.  
16 Correct?

17

MS. KELLY DERKSEN: Yes, sir.

18

MR. KRIS SAXBERG: It was based on the  
19 volumes and -- and the prices in differences and estimates  
20 that -- that arose during that year; the volumes consumed by  
21 customers during 2003/2004, correct?

22

MS. KELLY DERKSEN: That's correct.

23

MR. KRIS SAXBERG: And it's -- the refund,  
24 though, is going to be paid out on a forecast basis dependent  
25 on the volumes that customers use total volumes in the

1 forecast year, right?

2 MS. KELLY DERKSEN: That's no -- that's  
3 true, Mr. Saxberg, but that's no different than any other  
4 rate rider that we refund to customers or recover, for that  
5 matter.

6 MR. KRIS SAXBERG: Absolutely. Absolutely.  
7 And -- and all I'm saying is, there's a discrepancy that's  
8 built into that because you overpaid based on one (1) set of  
9 volumes but you're refunding based on another set of volumes,  
10 correct?

11 MS. KELLY DERKSEN: Sure, and that's one (1)  
12 of the of the inherit -- inherit -- negative aspects of a --  
13 a rate rider.

14 MR. KRIS SAXBERG: That -- exactly. That was  
15 all I was trying to establish. Another negative aspect would  
16 be that if new customers join the system this year while the  
17 refund is in place, they'll be benefitting even though they  
18 didn't contribute to any of the overpayment?

19 MS. KELLY DERKSEN: That's true, Mr. Saxberg.

20 MR. KRIS SAXBERG: And I think you're calling  
21 that -- that's an inter-generational inequity?

22 MS. KELLY DERKSEN: Yes, that's true.

23 MR. KRIS SAXBERG: Another negative, I  
24 suppose, would be that customers are getting their refund  
25 over a longer period of time and that restricts what they

1 could do with the money if they had it sooner rather than  
2 later?

3 MS. KELLY DERKSEN: In this case we are  
4 refunding over a shorter period of time which, in comparison  
5 to previous years, allows them to -- it allows us to provide  
6 the money back to the customer more quickly than what we have  
7 done in -- in prior years.

8 And I'd also like to note that, you know,  
9 we're discussing a lot of the negative aspects of -- of  
10 refund riders or rate riders in general and it's the  
11 company's position that there are a whole pile of positive  
12 attributes with respect to rate riders and which we have  
13 noted in our -- in our evidence.

14 So, I just didn't leave on the record that we  
15 haven't considered those negative issues with respect to  
16 riders.

17 But certainly the positive things that riders  
18 do, which in -- in my mind for a lot of the cases is, we have  
19 recoveries that we need to collect from customers and instead  
20 of giving every customer a one (1) line item amount on the  
21 bill saying please pay me thirty dollars (\$30) as a result  
22 outstanding amounts from last year we would recover that --  
23 those monies from customers over a period of time so I think  
24 there's definitely a lot of positive things with respect to  
25 -- to rate riders.

1                   MR. DARREN RAINKIE:    I would add they also  
2 allow you to refund and recover the money through the  
3 specific line item.

4                   If you look at your Tab E of your document;  
5 I'm not sure if you're suggesting we should have refund and  
6 recovery lines every quarter for every line item on that bill  
7 but if you want that bill to get cluttered, we could do that.

8                   MR. KRIS SAXBERG:    Is this an extraordinary  
9 situation, where we have such a large amount that's being  
10 refunded as a result of supplementary gas?  And I -- I'm  
11 familiar with what happened with the -- with the PGVA for  
12 primary gas a couple of years ago but in terms of  
13 supplementary gas, is it extraordinary?

14                   MS. KELLY DERKSEN:    No, sir, we see these  
15 kinds of balances, both plus and -- and minuses, each -- each  
16 year since the supplemental gas line item on the bill has  
17 become in it -- has become on the bill.

18                   MR. KRIS SAXBERG:    Now, the net amount of the  
19 supplementary gas PGVA is \$9.2 million refund, correct?

20                   MS. KELLY DERKSEN:    The net amount is, yes.

21                   MR. KRIS SAXBERG:    And it's only the 9.2  
22 million that is proposed to form part of the refund rider in  
23 the distribution base rate?

24                   MR. WILLIE DERKSEN:    I wouldn't say only 9.2  
25 million; it is a significant amount.  We recognize that.

1 But, yes, I do agree that that is the component of the -- the  
2 amount of supplemental PGVA that we are proposing to refund  
3 through the distribution to customer rate.

4 MR. KRIS SAXBERG: And the other \$6.3 million  
5 worth of refund which is also a net figure and includes the  
6 refund associated with capacity management, correct?

7 MS. KELLY DERKSEN: Yes. And that would be  
8 disbursed either through the transportation to Centra rate or  
9 the distribution to customer rate.

10 MR. KRIS SAXBERG: How much of it is going to  
11 be part of the transportation rate?

12 MS. KELLY DERKSEN: If you just give me a  
13 moment I'll give you that information.

14

15 (BRIEF PAUSE)

16

17 MS. KELLY DERKSEN: We have a total refund in  
18 the transportation PGVA including carrying costs close to \$2  
19 million; about one point nine eight (1.98) -- \$1.99 million.

20 MR. KRIS SAXBERG: Does the company have a  
21 concern similar to its concern for the supplemental gas rate  
22 that there will be a distortion as a result of embedding that  
23 rider in the transportation base rate?

24 MS. KELLY DERKSEN: No, I don't think we do,  
25 sir.

1 MR. DARREN RAINKIE: I think the distinction  
2 being, Mr. Saxberg, that both primary and supplemental are  
3 commodity based kind of rates versus transportation with a  
4 mixture of fixed charges and variable charges, et cetera.

5 MR. KRIS SAXBERG: This proposal to move the  
6 rider over to the distribution rate and to embed it with that  
7 rate rather than embedding it with the supplementary gas rate  
8 is a new proposal, correct?

9 MS. KELLY DERKSEN: Yes. It's new -- I  
10 guess, for this year but there is precedent in this type of  
11 treatment. If you'll recall, when we -- when we unbundled  
12 our rates as part of the 1999 Western Transportation Service  
13 -- when we unbundled, all of the PGVAs were refunded or  
14 recovered through the distribution to customer charge at that  
15 point in time.

16 MR. KRIS SAXBERG: And the main concern  
17 that's generating this proposal is related to customer  
18 perceptions?

19

20

(BRIEF PAUSE)

21

22 MR. DARREN RAINKIE: Sorry, Mr. Saxberg. I  
23 think I testified to this a little earlier in the proceeding  
24 and I think this -- part of the reason you have this proposal  
25 before you -- or rather, this Board has this proposal before

1 it, is that we did get some negative customer feedback  
2 through our marketing representatives about, you know, the  
3 changes in the percentages and what they meant in terms of  
4 the bill.

5                   And so this is an honest attempt on our part  
6 to try to keep the base rate -- supplemental base rate fairly  
7 market responsive, the term that we've used in past hearings  
8 in terms of customer understanding and what the cost of that  
9 commodity is and a way of finding a better way of refunding  
10 -- or a more certain way of refunding or recovering either  
11 the -- well, recovering or refunding the supplemental gas  
12 PGVA.

13                   It's not something theoretical that we just  
14 threw on the table. We've got some concerns raised with us  
15 and we're trying to address it.

16                   I mean, let's also keep it in context. Like I  
17 said, the supplemental rate is a very small part of the  
18 customer's bill so what we're trying to do is to keep those  
19 customers that were not happy with us satisfied; to try to  
20 find a reasonable means to doing that without re --  
21 overhauling our whole rate structure.

22                   MR. KRIS SAXBERG:   And is it fair to say that  
23 the perception is that the customer sees the billed rate for  
24 primary gas and they can't reconcile it with the billed rate  
25 that they see for supplementary gas and it's because they

1 don't -- aren't aware that the rate rider -- there's a rate  
2 rider that's imbedded into those rates?

3 MR. DARREN RAINKIE: I think that's -- that's  
4 correct. I mean, what we've had in the -- the past on this  
5 is that it's not necessarily the rate rider or the -- the  
6 existence of a rate rider or not, it's the -- it's the size  
7 of it that's concerning us.

8 Every other rate rider that we have, I think,  
9 isn't that large in relation to the base rate. It's the  
10 supplemental rate that seems to take the swings because of  
11 weather and it's the one that seems to get distorted.

12 As I mentioned, all the base rates have --  
13 don't quote me on these numbers -- but it may be between  
14 twenty-four (24) and twenty-six (26) cents in the last two  
15 (2) or (3) years. The billed rate has moved between ten (10)  
16 cents and forty (40) cents and -- so it's quite a -- quite a  
17 dramatic swing relative to some of the other riders that  
18 we've seen on other line items.

19 MR. KRIS SAXBERG: And that's displayed in  
20 Tab E of my Book of Documents, quite clearly, I guess.  
21 There's two (2) supplemental gas line items and what appears  
22 from -- what it appears from this bill is that supplemental  
23 gas has gone up by fourteen (14) cents a cubic metre?

24 MS. KELLY DERKSEN: It actually, Mr. Saxberg,  
25 went down effective August 1. Recall that we proposed --



1 that the riders were due to fall off of the base component  
2 effective August 1.

3 MR. KRIS SAXBERG: Sorry, I'm corrected, but  
4 it appears -- it went down fourteen (14) cents whereas with  
5 primary gas, that's going up a cent?

6 MS. KELLY DERKSEN: Yes, sir.

7 MR. KRIS SAXBERG: Are these -- do these  
8 lines -- for primary gas, the top line is the old rate, the  
9 -- the line below it is the new rate, but for supplementary  
10 gas the top line is the new rate and the line below it is the  
11 old rate?

12 MS. KELLY DERKSEN: Yes, I have just noticed  
13 that myself as well, Mr. Saxberg.

14 MR. KRIS SAXBERG: That might cause some  
15 confusion, would you agree, as to what direction the rates  
16 are going?

17 MS. KELLY DERKSEN: It may. I mean, there's  
18 also some information that's send along -- sent along -- with  
19 this bill so that provides information as to the -- the  
20 change in rates -- the before and afters. So, if -- if one  
21 was really concerned they could turn to that information or  
22 certainly our website.

23 MR. KRIS SAXBERG: Could you undertake to  
24 inquire if there's some technical reason why it has to be  
25 that way or whether it could be rearranged so that it's in a

1 consistent order?

2 MS. MARLA MURPHY: I guess, Mr. Chairman, we  
3 can certainly try and do that but I'm -- I'm going to hope  
4 that the Panel isn't going to ask us to spend a lot of time  
5 trying to understand the -- the technical background to what  
6 that might be so if -- if it can be done in short order,  
7 we're certainly happy to do it.

8 MR. KRIS SAXBERG: Thank you for that.

9

10 --- UNDERTAKING NO. 23: Inquire about bill rates.

11

12 CONTINUED BY MR. KRIS SAXBERG:

13 MR. KRIS SAXBERG: Now, the reason for the  
14 distortion that's confusing customers is because the rider  
15 invariably is a large number, whether it's positive or  
16 negative, in relation to the -- to the base rate because the  
17 volumes associated with supplem -- supplementary gas are so  
18 small, correct?

19 MS. KELLY DERKSEN: I think that's generally  
20 true, Mr. Saxberg.

21 MR. KRIS SAXBERG: And one (1) way to solve  
22 that distortion -- I -- I'm going to list a few ways and I --  
23 I suggest that that distortion, which is the -- the reason  
24 for your action here -- could be solved.

25 One (1) way, and this is just theoretical is

1 if you had a -- a really accurate forecast -- if you had a  
2 perfect forecast, that would solve the problem because you  
3 wouldn't need a rate rider; just on a theoretical basis?

4 MR. BRENT SANDERSON: As an impossible of an  
5 expectation that would be, yes, I agree with you.

6 MR. KRIS SAXBERG: And I don't pose that  
7 question as a -- as a critique of your forecasting.

8 MR. BRENT SANDERSON: Understood.

9 MR. KRIS SAXBERG: The second way would be to  
10 do what Mr. Peters suggested and that is pull the rate rider  
11 out of the base rate?

12 MS. KELLY DERKSEN: Yes, and we did con --  
13 consider that alternative.

14 MR. KRIS SAXBERG: And the reason that you  
15 put on the record is clear, so I won't -- won't go there.  
16 But you would agree that with respect to the primary gas  
17 deferral rider -- I can't remember what it was -- what it was  
18 called, but in that case -- in that case you did it?

19 MS. KELLY DERKSEN: Yes, it was called the  
20 Primary Gas Deferral Rider, and we did separate the amount of  
21 that PGVA and recover it as a separate line item on the bill.

22 MR. KRIS SAXBERG: And the main reason for  
23 doing that, was to maintain market transparency of the  
24 primary gas rate?  
25

1 (BRIEF PAUSE)

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MR. DARREN RAINKIE: I think so, but let's also keep in mind that the primary gas rate is the competitive rate with brokers. So there's probably a good reason to have that goal, whereas the supplemental rate isn't a competitive rate with brokers and a very small component of your bill.

So, I'm not sure that the small part of the bill will result in -- should result in a separate line item I guess, and that was our earlier testimony you're referring to. I don't -- I don't think it's needed.

MR. KRIS SAXBERG: I guess all I want confirmed is that it was the exact same problem, but the solution proposed to that identical problem was a different one (1) than is being proposed here?

MR. DARREN RAINKIE: It's -- it was a \$100 million problem, a one (1) time hopefully, problem, assuming that our current rate setting mechanism doesn't allow that to happen again, I hope.

And so, the -- the magnitude I think is a big consideration. I don't think for 5 percent of our bill we want to go issuing separate refunds and having separate lines on -- on the bill.

MR. KRIS SAXBERG: And a third way to deal

1 with this distortion issue, would be to adjust the  
2 supplemental gas rates quarterly, which in turn would reduce  
3 the size of the rider and reduce the distortion; is that  
4 fair?

5 MR. BRENT SANDERSON: I don't agree that that  
6 would get you any closer to -- to minimizing PGVA balances.  
7 The problem with -- again with supplemental gas in terms of  
8 the base rates and the current year's supplemental PGVA is  
9 that we're incurring most of those costs, largely in the  
10 winter months, notwithstanding we buy small amounts in  
11 shoulder periods, but we're -- we need to recover those costs  
12 over the entire year.

13 So, I don't know what you would use as a  
14 trigger or an indicator of what you would need to adjust  
15 those rates to. If we want to use as an example on the  
16 August 1st gas quarter, you could go through a lot of machine  
17 -- machinations in adjusting those rates in response to  
18 forecast market prices.

19 But as we've said before, what largely drives  
20 these balances is weather variances, due to difference --  
21 large differences in forecast and actual supplemental gas  
22 requirements.

23 So, you could be going through all of the  
24 administrative burden of adjusting rates quarterly throughout  
25 the year, and then all you need is one (1) cold month in the

1 winter period and it can result in a \$10 million balance in  
2 that supplemental PGVA quite easily in a one (1) month  
3 period.

4                   And so you've added all these additional rate  
5 adjustment -- rate adjustments onto your year, and you've  
6 really gotten no closer to ending up at zero in that account  
7 at the end of the year.

8                   MS. KELLY DERKSEN:   And if I might add, Mr.  
9 Saxberg, currently we have no mechanism to deal with  
10 supplemental gas on a quarterly rate -- through a quarterly  
11 rate mechanism, similar to what we do for primary gas,  
12 because supplemental gas is something that's allocated  
13 between firm and interruptible customers.

14                   So, there is an allocation that needs to  
15 occur, and we don't have -- we don't employ currently the  
16 models to be able to do that on a quarterly basis. So  
17 there'd be -- there would have to be a whole pile of work  
18 that we would undergo -- that we'd have to undergo, in order  
19 to facilitate, you know, that kind of change.

20                   MR. KRIS SAXBERG:   Okay, let me get to the  
21 fourth way then that I've written down to address this  
22 distortion problem. And that would be to pay out this refund  
23 in a lump sum, correct?

24                   MS. KELLY DERKSEN:   That is an option, Mr.  
25 Saxberg, but if we were talking about recovering \$16 1/2

1 million today, you and I probably would not be having this  
2 conversation.

3 MR. KRIS SAXBERG: In CAC-13 you have  
4 confirmed that payout in a lump sum is -- is an option and  
5 it's one (1) that you considered; correct?

6 MS. KELLY DERKSEN: Yes, sir.

7 MR. KRIS SAXBERG: Could you tell us what the  
8 amount of the lump sum payment would be for a typical  
9 residential customer who pays -- who uses thirty-two hundred  
10 (3,200) cubic metres a year?

11 MS. KELLY DERKSEN: We've already responded  
12 to that in an Information Request, Mr. Saxberg. I just have  
13 to find it.

14 MR. BRENT SANDERSON: If it -- if the Board  
15 would allow it, I'd also like to make a point that refunding  
16 or recovering these amounts via rate riders provide tangible  
17 benefits in terms of smoothing customers' rates or minimizing  
18 customers' rate volatility.

19 At the utility we expend a significant amount  
20 of effort on a number of fronts to smooth or stabilize  
21 customers' rates. We have the quarterly rate setting  
22 methodology. We have the derivatives hedging program for  
23 primary gas. There's the free hedge or the -- provided by  
24 the use of storage to minimize our transportation costs.

25 We have -- and then in addition to smoothing

1 customers' bills we have the equal payment plan. Now, rate  
2 riders add an additional element of smoothing or stability to  
3 customers' rates and to refund or recover these amounts in a  
4 lump sum would fly in the face of that.

5           And it runs counter to all the efforts that  
6 the Board has encouraged us over the years to undertake to  
7 smooth customers' rates.

8           MR. KRIS SAXBERG: Is it -- is it CAC-81 that  
9 you're looking for?

10           MS. KELLY DERKSEN: Yes, sir. If you turn to  
11 the second page of that -- or that particular Information  
12 Request it says there we would be refunding approximately  
13 seventeen and a half dollars (\$17.50) for -- to a typical  
14 residential customer.

15           MR. KRIS SAXBERG: I'm -- I'm looking at my  
16 Tab F in my book of documents. It's the second page which is  
17 CAC-81.

18           MS. KELLY DERKSEN: It would be the same one,  
19 Mr. Saxberg.

20           MR. KRIS SAXBERG: And I see total there as  
21 being thirty-one dollars and thirty-five cents (\$31.35); is  
22 that the amount for the 16.5 million?

23           MS. KELLY DERKSEN: Yes, sir. You're  
24 correct. What I was talking about was just if we were refund  
25 the supplemental component of -- of the \$16 and a half



1 million that we are discussing.

2 MR. KRIS SAXBERG: Now, I talked about the  
3 negatives of rate riders and I want to talk about the  
4 positive of -- the positives of lump sum refunds just for a  
5 moment.

6 Would you agree that it's going to be more  
7 precise to refund by way of a lump sum payment in terms of  
8 the inequity that occurs because the customers' consumption  
9 changes from year to year?

10 MS. KELLY DERKSEN: If we're able to find the  
11 customers to refund the money, I would agree that if their --  
12 their consumption would not be an issue because we would be  
13 refunding it over the same consumption level in which the  
14 PGVA was incurred.

15 MR. KRIS SAXBERG: They -- in order words,  
16 those customers would get their money back in -- to the exact  
17 same level that they overpaid because you're using actual  
18 volumes for that year rather than forecasted volumes for the  
19 next year; correct?

20 MS. KELLY DERKSEN: Generally, I agree with -  
21 - with your concept. Keeping in mind that, of course, there  
22 are extenuating circumstances where -- well, extenuating  
23 circumstances where we estimate -- we have a number of  
24 estimates on a customer's property. We haven't been able to  
25 read their meter.

1                   So, from that perspective, it would be based  
2 on an estimate to the extent that we estimate customers'  
3 bills every second month. You know, it's -- it's not going -  
4 - no matter what you do, it's not going to be an exact  
5 science.

6                   MR. KRIS SAXBERG:   And all I want to know is  
7 that it's, with respect to the first negative that we spoke  
8 of for riders, it's -- it's more accurate to refund in a lump  
9 sum? More precise?

10                  MS. KELLY DERKSEN:   For those customers that  
11 we can -- that are currently on our system and that we're  
12 able to easily find, yes.

13                  However, as I'm sure we'll discuss, you know,  
14 we have thousands upon thousands of moves of customers every  
15 year, and so there is a very good possibility that many of  
16 those customers, we can't find them, we don't know where they  
17 go and so from that perspective it's not going to be more --  
18 more precise, it'd be exactly the same.

19                  MR. KRIS SAXBERG:   For those customers that  
20 are moving only, but not for the majority that stay?

21                  MS. KELLY DERKSEN:   Well, we have forty  
22 thousand (40,000) moves this past year, so out of two hundred  
23 and fifty thousand (250,000) customers, that's -- that's a  
24 fair amount.

25                  MR. KRIS SAXBERG:   Okay, and that's fair.

1 With respect to the inter-generational inequities that we  
2 spoke of, it completely solves that problem doesn't it? I  
3 mean, if you refund on the heels of the over-collection, then  
4 there's no issue with respect to new customers joining the  
5 system and reaping the benefits of -- of prior customers'  
6 overpayments?

7 MS. KELLY DERKSEN: I think --

8 MR. DARREN RAINKIE: Mr. Saxberg, you're  
9 talking about the huge inter-generational inequity of  
10 seventeen dollars (\$17) out of a twelve (12) or thirteen  
11 hundred dollar (\$1300) bill. I mean, I think we're getting  
12 to some extremes here. I --

13 MR. KRIS SAXBERG: Well, I just -- I --

14 MR. DARREN RAINKIE: It's -- I'm a bit like a  
15 broken record throughout this Hearing, and it's -- let's take  
16 a look at the bigger picture here, I think.

17 MR. KRIS SAXBERG: And I -- I appreciate  
18 that, I just want to get the -- the information on the  
19 record.

20 A third advantage may be that customers may  
21 want to have the money sooner rather than later -- later, and  
22 in particular, seniors may want that?

23 MR. DARREN RAINKIE: If it were going the  
24 other way, do they want to pay earlier than later?

25 I mean, would you suggest that we move back

1 and forth between refunds and riders and -- because I'm not  
2 seeing the benefit for the amounts involved, I'm sorry.

3 MR. KRIS SAXBERG: I -- I appreciate your  
4 point, and I know -- and it's been made on the record  
5 already, but just in terms of being responsive to the  
6 question, there may be customers, seniors for instance, that  
7 would appreciate getting it sooner rather than later, even if  
8 it is only thirty-six dollars (\$36).

9 MS. KELLY DERKSEN: Sure, I mean, I agree  
10 with your premise, our position is not that, and I'm sure  
11 you're well aware of what our position is.

12 MR. KRIS SAXBERG: Yeah, and that's at CAC-  
13 81, so that's why I've put it in my book of documents. And  
14 there are three (3) reasons listed on the first page, why  
15 lump sum refund may not be appropriate.

16 The first is what you've talked about before,  
17 that the customers move, and it's often difficult to locate  
18 them, do you see that?

19 MS. KELLY DERKSEN: Yes, sir, I do.

20 MR. KRIS SAXBERG: That's the same problem  
21 you'd have with a rate rider isn't it?

22 MS. KELLY DERKSEN: The administrative  
23 complexity though of having to track down individual  
24 customers in the situation that I suggested, this past year  
25 we've had forty thousand (40,000) customer moves. The amount

1 of -- we have to -- we don't have technology in place to be  
2 able to find them, and so it becomes a very manual process  
3 that's much more complicated than the rate rider would allow.

4 I mean, ultimately you may not be able to  
5 refund the money to the correct people in both circumstances,  
6 but refunding it through rate riders is certainly much more  
7 efficient and cost effective.

8 MR. KRIS SAXBERG: And so that I don't have  
9 to go through it, would you agree that with respect to the  
10 other concerns, B and C, the same applies, that -- that in  
11 other words, you have those same types of issues with rate  
12 riders?

13 MS. KELLY DERKSEN: Can you repeat your  
14 question for me please?

15 MR. KRIS SAXBERG: Well, with the concerns  
16 listed as B and C, I'm suggesting that those concerns are  
17 equally applicable if you refund by way of a rate rider?

18

19 (BRIEF PAUSE)

20

21 MS. KELLY DERKSEN: We don't have the same  
22 kinds of issues, Mr. Saxberg, because when we implement a  
23 rate rider, we don't go and try and track customers who move  
24 from property to property, that's suggested -- or multiple  
25 customers that's suggested in -- in part B, we just apply a

1 rate rider to a current customer's premise.

2 MR. KRIS SAXBERG: Well that answer is you're  
3 just not concerning yourself with the issue, but it may be  
4 that the rate rider isn't going to the right person for the  
5 same reasons that the lump sum payment wouldn't go to the  
6 right person, so that's all I'm suggesting?

7 MS. KELLY DERKSEN: I think that there --  
8 there are definitely both negative attributes to both but we  
9 think that the positive ones with respect to rate riders  
10 outweigh those -- outweigh the negative ones.

11 MR. KRIS SAXBERG: And I have that position.  
12 So that's dealing with the first three (3) concerns. The  
13 next concern you say why it's not, in this case, best to  
14 refund by way of a lump sum is the additional complexity  
15 that's occurred in the unbundled environment; correct?

16 MS. KELLY DERKSEN: Sure. That's something  
17 that, you know, we haven't -- the last time that we suggested  
18 a lump sum payment, as it might be, would have been as part  
19 of the 1998 General Rate Application which I might note was  
20 strongly dismissed very quickly.

21 It was not in an unbundled environment so you  
22 wouldn't have the same level of complexity on a customer's  
23 bill as what you might experience today.

24 MR. KRIS SAXBERG: And what you're referring  
25 to is page 2 of my Tab F. And what you're suggesting is that

1 because there are riders associated with transportation rate,  
2 distribution rate and supplemental rate there would have to  
3 be three (3) calculations done?

4 MS. KELLY DERKSEN: Yes. It makes most sense  
5 that if you operate in an unbundled environment that you  
6 would want to, if you chose this option, that you would want  
7 to refund consistent with how the costs that make -- or how  
8 the amounts accumulated for each of those components.

9 MR. KRIS SAXBERG: But you don't necessarily  
10 need to do that. I mean, you could throw it all into the  
11 distribution rate which is similar to what you're proposing,  
12 a move from supplemental to distribution? You could take the  
13 entire thirty-one dollars and thirty-five cents (\$31.35) and  
14 have that as a credit on the distribution charge?

15 MS. KELLY DERKSEN: I mean, everything's  
16 possible and this alternative is possible as well, but I'm  
17 not sure that I agree. From a rate making standpoint, we are  
18 where we are in terms of unbundling. We have one (1)  
19 supplemental issue to deal with.

20 We have proposed a mechanism to deal with it.  
21 I'm not sure that we would want to -- that we would want to  
22 re-bundle everything simply because we're proposing the --  
23 the specific rate treatment for the supplemental rider.

24 MR. KRIS SAXBERG: Well, you don't have to  
25 re-bundle but can you just give me this possibility that you

1 could simply deduct thirty-one dollars and thirty-five cents  
2 (\$31.35) from every customer's distribution charge on a bill  
3 without even stating anything on the bill.

4                   So it's a one-time and then incorporate within  
5 your envelope some information that says, we over-collected  
6 by \$16.5 million last year. We've given you a credit of  
7 thirty-one dollars (\$31); isn't it that simple?

8                   MS. KELLY DERKSEN: I mean what you're  
9 suggesting is possible. There's no doubt about it, that's  
10 not our position. The thirty-one dollars (\$31) would be only  
11 for this one (1) specific type of customer. A typical  
12 residential customer, so I -- some -- another customer might  
13 have a fifty dollar (\$50) refund. Another customer might  
14 have, I don't know, a three thousand dollar (\$3,000) refund.

15                   So I know that you -- you know, you understand  
16 that this is for a typical residential customer. What you  
17 have suggested can be accomplished. That's not our position.

18                   MR. KRIS SAXBERG: Okay. Thank you for that,  
19 that's -- that's all I was looking for. Other jurisdictions  
20 may or may not have done this, you just don't know?

21                   MS. KELLY DERKSEN: That's correct.

22                   MR. KRIS SAXBERG: And I think you've  
23 confirmed that the banner billing system is capable of being  
24 able to do this?

25                   MR. VINCE WARDEN: I think we'd have to look



1 into that further, Mr. Saxberg. I -- I can't confirm whether  
2 it's capable or not.

3 MR. KRIS SAXBERG: Okay. It's -- it's not  
4 important. With respect to the 3.9 percent rate decrease  
5 that flows from this Hearing, first of all, I'm right with  
6 respect to residential -- typical residential customers,  
7 they're going to look at a 3.9 percent rate decrease if this  
8 Application's approved as is?

9 MS. KELLY DERKSEN: Yes, sir.

10 MR. KRIS SAXBERG: If the lump sum was paid  
11 out tomorrow, theoretically speaking, the net result of that  
12 would be -- what we'd be telling residential customers is  
13 that their rates are going down by .7 percent as a result of  
14 this Application?

15 MS. KELLY DERKSEN: The 3.9 percent that  
16 we've proposed in this Application will not change if you  
17 refund in a lump sum amount or if you refund over a nine (9)  
18 month period.

19 It's irrelevant. We are suggesting as a  
20 result of this Application what we expect rates to change by  
21 and that's what the 3.9 percent represents.

22 MR. KRIS SAXBERG: Exclusive of the lump sum  
23 payment, the rate reduction is about .7 percent; is that  
24 fair?

25 MS. KELLY DERKSEN: Can you tell me where you

1 got that information from, sir?

2 MR. KRIS SAXBERG: From your discussion with  
3 Mr. Peters the other day where I think you indicated that  
4 16.5 million would equal a 3.2 percent increase in the -- in  
5 the customer's bill -- increase or decrease?

6 He was asking -- the increase comes in the  
7 terms of he was suggesting that next August when the rider's  
8 off the amount that will need to be recovered will increase  
9 by 16.5 million?

10 MS. KELLY DERKSEN: I understand now where  
11 you got that, yes, sir.

12 MR. KRIS SAXBERG: So, assuming there was a  
13 lump payment and setting it aside, the impact of this  
14 Application would be approximately a .7 percent decrease?

15 MS. KELLY DERKSEN: That would be on the  
16 total system, that doesn't mean for every specific customer  
17 class.

18 MR. KRIS SAXBERG: Yes, with that  
19 qualification?

20 MS. KELLY DERKSEN: Yes, with that  
21 qualification.

22 MR. KRIS SAXBERG: Thank you. And just  
23 briefly, ever so briefly, on a completely different topic,  
24 the high volume customer rate design.

25 CAC indicated at the pre-hearing conference

1 that we wouldn't be taking a position on this but, and at the  
2 risk of being repetitive, I just want to confirm a couple of  
3 things for the record.

4                   And that's -- they're yes/no, type questions.  
5 There is no application before the Board to adjust the basic  
6 monthly charge for small gas -- for small general service  
7 class, correct?

8                   MS. KELLY DERKSEN:     Correct.

9                   MR. KRIS SAXBERG:     And no intention to bring  
10 such an application at next year's GRA?

11

12                                   (BRIEF PAUSE)

13

14                   MS. KELLY DERKSEN:     Based on what I know  
15 today, Mr. Saxberg, we will not be proposing a change to the  
16 basic monthly charge as part of the next General Rate  
17 Application.

18                   MR. KRIS SAXBERG:     And the same two (2)  
19 questions and the same answers would apply with respect to  
20 whether there's an application for three-part rates for  
21 residential customers?

22                   MS. KELLY DERKSEN:     Again, as I -- I sit here  
23 today, I can't -- I do not expect a three-part rate proposal  
24 for the SGS and LGS class as part of the '03 -- the next  
25 General Rate Application.

1 MR. KRIS SAXBERG: And the Company's  
2 information from its numerous contact points with its  
3 clients, including all of its customer service work, the  
4 customers' view is that -- and the -- Centra's market  
5 research, all indicates cumulatively to the Company that  
6 residential customers would definitely not support any change  
7 to the basic monthly charge?

8 And I think that was Mr. Rainkie's  
9 information?

10 MS. KELLY DERKSEN: To my -- to my -- to the  
11 best of my knowledge, I would expect that most residential  
12 customers would not accept an increase in the basic monthly  
13 charge. Certainly not without a significant amount of -- of  
14 education to go along with it.

15 MR. KRIS SAXBERG: And if Centra did decide  
16 to make such an application, it would support a full public  
17 hearing to review that?

18 MS. MARLA MURPHY: I think we're getting a  
19 long way down the road. We've just indicated to you that we  
20 don't expect that's coming and -- and certainly it would be a  
21 change in a rate that would require Board approval. So, I'm  
22 not sure this Panel can add much to that.

23 MR. KRIS SAXBERG: And just to let you know  
24 where I'm coming from, I mean, there was a lot of discussion  
25 about that subject here in this Hearing and the Board does

1 have the authority to make orders as it sees fit, whether  
2 there's an application or not.

3

4 CONTINUED BY MR. KRIS SAXBERG:

5 MR. KRIS SAXBERG: And I just wanted to make  
6 sure that the Company's position's clearly sated on the  
7 record that if there was that kind of an application that it  
8 should be further vetted in more detail; is that something  
9 that you could agree to?

10 MR. VINCE WARDEN: I think the basic monthly  
11 charge is a highly visible charge to customers and a lot of  
12 very small services with minimal usage, it represents a  
13 substantial portion of their bill.

14 So, for those customers, that are least able  
15 to pay, an increase to the basic monthly charge would have an  
16 impact. Therefore, we're very sensitive to that. However,  
17 as was indicated in these proceedings, a gap between what we  
18 feel of the cost of providing a basic service is of twenty-  
19 three dollars (\$23), I believe the number was, and the  
20 current basic monthly charge of ten dollars (\$10) is probably  
21 something we can't ignore forever.

22 MR. KRIS SAXBERG: And maybe this flows right  
23 into the demand side management topic but at present the fact  
24 that the basic monthly charge is so low acts as an incentive  
25 for some to reduce the amount of gas that they use, does it

1 not?

2 MS. KELLY DERKSEN: I think so, sir.

3 MR. KRIS SAXBERG: And, generally speaking,  
4 if that basic or fixed charge was increased and then you were  
5 trying to convince people to conserve their -- their gas  
6 those would be conflicting messages; wouldn't they? Because  
7 they'd still have to pay a large portion on a fixed basis no  
8 matter how much gas they saved?

9 MR. VINCE WARDEN: Well, to the extent that  
10 we're recovering fixed costs through volume, then, yes, I  
11 would agree with you that there is some incentive for  
12 customers to restrict their volume if they know their bill's  
13 going to go up.

14 So, if we moved more of that real cost into  
15 the basic monthly charge that is something a customer would  
16 have no control over through usage.

17 MR. KRIS SAXBERG: Thank you for that. I'm  
18 getting very close to -- to wrapping things up so I'd like to  
19 continue on.

20 But, I have a -- what I have is three (3)  
21 letters that I've stapled together as a package and the first  
22 letter is the April 30th letter from you, Mr. Chairman,  
23 soliciting opinions from parties -- interested parties with  
24 respect to five (5) topics.

25 And I've also included in this collection

1 Manitoba Hydro's response and CAC/MSOS' response. And I  
2 thought that in light of the fact that there has been  
3 discussion about these five (5) issues in this Hearing, in  
4 light of that fact, that those documents should form part of  
5 the record in this proceeding. I'd like to mark them as an  
6 exhibit.

7 THE CHAIRPERSON: That's fine.

8 MR. KRIS SAXBERG: And --

9 THE CHAIRPERSON: You're distributing copies?

10 MR. KRIS SAXBERG: I could distribute them.  
11 I don't need to -- I'm not going to make reference to them  
12 except I just wanted them as part of the record so they could  
13 be used in closing argument.

14 THE CHAIRPERSON: Assuming that they were a  
15 part of that package of correspondence; that's fine.

16 MR. KRIS SAXBERG: And I have to apologize  
17 because in my -- in the rush to put these together I didn't  
18 include responses from other parties, other than the three  
19 (3) that I've just listed including Municipal Gas and that's  
20 something that the Board may want to correct and -- you know,  
21 over the course of this Hearing. So, I just note that for  
22 the record.

23 And maybe what I'll do is just ask my few  
24 questions on -- on future regulation and then afterwards I  
25 can hand these out. Thank you, sir.

1 CONTINUED BY MR. KRIS SAXBERG:

2 MR. KRIS SAXBERG: Mr. Warden, I know that  
3 when you're testifying in these Hearings you sometimes have  
4 to -- or you're challenged to make policy decisions on the  
5 fly or, at least, consider policy -- policies that haven't  
6 been considered before but --

7 MR. VINCE WARDEN: I have to answer for an  
8 employer.

9 MR. KRIS SAXBERG: I -- I've heard you very,  
10 very clearly about being able to provide pricing options and  
11 you gave some additional testimony today that I think  
12 clarified a lot of matters.

13 In your letter -- or in the letter responding  
14 to the Board, it said something that was not -- not that much  
15 different than what you said but slightly different in that  
16 it seemed to indicate that the Company wanted to be given  
17 that authority then later it may choose whether or not to  
18 exercise it.

19 I just want to know for the record whether  
20 you've moved away from that position?

21 MR. VINCE WARDEN: I -- I think that's  
22 consistent with what I've been saying, Mr. Saxberg.

23 MR. KRIS SAXBERG: Okay. So, if the Board  
24 then decided that it would address the matter in this Board  
25 Order; that wouldn't be something that you would be unhappy



1 with? You may or may not use the authority but -- but you're  
2 not -- but you would welcome, according to your position, the  
3 Board's giving you that ability?

4 MR. VINCE WARDEN: Sure.

5 MR. KRIS SAXBERG: With respect to the type  
6 of regulation for Manitoba Hydro and for Centra Gas, is it  
7 your view that the current legislation does not allow for  
8 Centra to be regulated on anything other than a rate-based  
9 rate of return?

10 MS. MARLA MURPHY: I think that's asking the  
11 Panel for a legal opinion and it's something that we can  
12 address in argument if the Board wishes. But it's -- it's  
13 not appropriate for the Panel to comment on.

14

15 CONTINUED BY MR. KRIS SAXBERG:

16 MR. KRIS SAXBERG: No, and I -- I thought you  
17 might say that. But it wasn't going to deter me from asking  
18 the question because I -- I just -- I heard you say -- give  
19 some evidence though that what you're going to do at the next  
20 GRA was to bring forward an application that was based on a  
21 cost of service model?

22 MR. VINCE WARDEN: Yes. We desperately need  
23 a rate change on the distribution side of the business and  
24 we're looking at something for April the 1st of 2005. Under  
25 the current legislation, as we understand it, that

1 application should be filed on a rate-based rate of return  
2 basis.

3                   We think though, as we've stated in our  
4 response to the invitation to comment by the Chairman, that  
5 we could file under both methodologies; that is, we would  
6 file under cost of service, the method that we prefer, and  
7 compare that to what the equivalent amount would be under a  
8 rate-based rate of return methodology. So we could  
9 accomplish the same thing in one (1) filing.

10                   MR. KRIS SAXBERG: Thank you for that. And,  
11 ultimately, it will be up to the Board to decide what it has  
12 the jurisdiction to approve or not? But you're going to put  
13 forward both of those models?

14                   MR. VINCE WARDEN: That's our plan. Yes.

15                   MR. KRIS SAXBERG: With respect to other  
16 alternatives for regulation, including performance-based  
17 regulation; would you agree that before the Board considered  
18 a switch to that type of -- of regulation that it would be  
19 necessary to hear from experts on what's happened in other  
20 jurisdictions?

21                   MR. VINCE WARDEN: Well, it's always useful,  
22 I think, to monitor what's happening in other jurisdictions.  
23 Performance-based regulation though, can be accomplished  
24 within the cost of service model that we currently have on  
25 the electricity side of the business today and would -- could

1 be easily adapted to what we're proposing here.

2 MR. KRIS SAXBERG: Now, just briefly with  
3 respect to accountability, does Centra believe that there  
4 would be more or less regulatory oversight and accountability  
5 using a cost of service model?

6 MR. VINCE WARDEN: Well, we -- we certainly  
7 value these proceedings in terms of the opportunity to review  
8 with this Board, Intervenors and others, the operations of --  
9 of the Utility. I think that's accomplished very well with  
10 the cost of service model. And that's the model that we're  
11 advocating.

12 MR. KRIS SAXBERG: And I appreciate that  
13 answer, but I guess is there a yes, no, in terms of whether  
14 one (1) model provides for more regulation and more insight  
15 into the operations of the Company?

16 MR. VINCE WARDEN: No, I -- I don't -- I  
17 don't really think so. It's just that a cost of service  
18 model fits better with the functioning of the Crown  
19 Corporation.

20 MR. KRIS SAXBERG: Would you agree that  
21 there's less risk for the company, in terms of being able to  
22 recover its costs if it's regulated under a cost of service?

23 MR. VINCE WARDEN: No, I wouldn't agree at  
24 all. There's -- ultimately the Company has nowhere else to  
25 recover its costs from the ratepayers, somehow or another we

1 have to get those costs recovered. So, we can be imprudent  
2 in how we manage our affairs, and I think that's where the --  
3 this Board has a very strong role in terms of commenting on  
4 the prudence of the -- of the company and how we do manage  
5 our business.

6 But at the end of the day we've got no place  
7 else to go for money.

8 MR. KRIS SAXBERG: But as Mr. Rainkie pointed  
9 out, there -- there's some retroactivity associated with cost  
10 of service, whereby the Board can -- can correct by adjusting  
11 retained earnings and reserves, whereas under the -- under  
12 the cost of service approach, whereas under the rate base  
13 rate of return approach, you're stuck with your forecast?

14 MR. VINCE WARDEN: Well, ultimately though,  
15 we're -- we're -- by whatever means we get there, we're  
16 trying to attain the optimum financial structure for the  
17 Utility. We've indicated that with respect to reserves or  
18 retained earnings, that optimum for us is -- is seventy-  
19 five/twenty-five (75/25).

20 So, whether we get there through a rate base  
21 rate of return approach, or -- or a cost of service,  
22 ultimately we hope to get there, and retroactively --  
23 whether it's retroactive -- we view that as being retroactive  
24 adjustments or not. We -- we can only recover our costs from  
25 the ratepayers of the current day and the future.

1 MR. DARREN RAINKIE: Mr. Saxberg, I wasn't  
2 suggesting going back and redoing the past, what I was  
3 suggesting is when you use cost of service, you look forward  
4 from where you're at and you use a ten (10) year forecast and  
5 say, well, where are we at in terms of reserves right now,  
6 and where are we going, that's -- I wasn't saying going back  
7 and you know, doing a retroactive rate making.

8 MR. KRIS SAXBERG: No, but -- but those --  
9 that prospective view can correct for -- for what's happened  
10 in the past, in terms of the financial results for the  
11 Company?

12 MR. DARREN RAINKIE: I don't know about  
13 correct. I think you're standing at a point and you can't go  
14 back and change what happened, and you stand at a point and  
15 say where -- where we should be.

16 And the difference between cost of service and  
17 rate base rate of return, I think when you -- when you boil  
18 it down, is you're substituting one (1) set of judgments  
19 under a private company paradigm, in terms of capital  
20 structure and return on equity for another set of judgments,  
21 in terms of what's the appropriate reserve level for the  
22 customer, in terms of whether you want to look at it as a --  
23 as a safety net for the future, or a rate stabilization fund,  
24 because there would be some financial objectives that we  
25 would be using under cost of service.

1                   So I think you're -- you're simply taking one  
2 (1) set of judgments, and it's more under a private paradigm,  
3 and substituting them for another set of judgments that's  
4 more under a -- a public paradigm if you like. There's  
5 nothing more sinister in it than that, I think.

6                   MR. KRIS SAXBERG: Well, I didn't mean to  
7 suggest there was anything sinister about going to cost of  
8 service, and I think these Intervenors have actually endorsed  
9 the concept over -- in the long run.

10                   But let me ask this, there's been a lot of  
11 history and decisions made by this Board with respect to  
12 Hydro's purchase of Centra Gas. And one (1) of those  
13 decisions was that a return on equity, the profit portion,  
14 was appropriate, because it was needed by Centra to hand over  
15 to its shareholder, in order to pay for the acquisition.

16                   If we went to a cost of service methodology,  
17 would there be a -- a problem flowing from that?

18                   MR. DARREN RAINKIE: Mr. Saxberg --

19                   MR. VINCE WARDEN: There wouldn't be --  
20 sorry. There wouldn't be a problem, no. And I'm not sure we  
21 want to revisit the acquisition and how the parent is to --  
22 to recover its costs.

23                   We -- we really have no other objective than  
24 to make rates as low as possible for -- for both gas and  
25 electricity ratepayers without in any way, cross-subsidizing.

1 so looking for the gas ratepayers to pay their way;  
2 electricity ratepayers to pay their way as well, all with the  
3 objective of -- of obtaining or achieving long-term financial  
4 targets.

5 MR. KRIS SAXBERG: Hydro is not looking for  
6 any sort of transfer in -- by any means from Centra to Hydro  
7 in order to pay for the cost of the acquisition?

8 MR. VINCE WARDEN: We're -- we're not looking  
9 for any kind of return on our investment. As I indicated,  
10 we're looking for Centra gas ratepayers to pay for the cost  
11 of the acquisition, which, as we've said many times so far,  
12 has proven to be very beneficial to ratepayers.

13 MR. KRIS SAXBERG: But all -- the -- this  
14 Board decided that all of the costs -- financing costs  
15 associated with the purchase of Centra are to be determined  
16 and dealt with on the -- by Manitoba Hydro on the hydro side  
17 of the equation. They weren't to be included in the  
18 determination of rates for Centra Gas.

19 MR. VINCE WARDEN: Well, we're really talking  
20 bookkeeping here. If you really want to pursue this we can -  
21 - I can take you through the financial statements and show  
22 how those costs are being allocated from the corporation to  
23 both electricity and gas ratepayers based on the synergies  
24 that were received by each of those companies as a result of  
25 the acquisition.

1                   So it wasn't only one (1) way. Synergies were  
2 -- were derived from electricity ratepayers as well as gas  
3 ratepayers and the costs of the acquisition are being  
4 portioned based on the synergies that -- synergies that are  
5 being derived.

6                   MR. KRIS SAXBERG:   And -- and I apologize  
7 because I -- I thought we promised we were never going to  
8 talk about synergies again, having done that over a few  
9 Hearings.

10                   But all I want to be assured of is that if we  
11 go to -- if -- if you're -- if there's a move to the cost of  
12 service methodology, there isn't going to be an application  
13 by Manitoba Hydro through Centra Gas to recover the financing  
14 costs and all those other costs that flowed from the  
15 acquisition of Centra Gas.

16                   MR. VINCE WARDEN:   I can assure you whether  
17 we used cost of service or rate of return, our Application as  
18 far as recovery of costs will be identical.

19

20

(BRIEF PAUSE)

21

22                   MR. KRIS SAXBERG:   Just finally, just one (1)  
23 very small matter with respect to confirming Board Order  
24 69/04, you spoke of earlier, Mr. Rainkie, and that's the  
25 order that dealt with an adjustment to the quarterly rate



1 process; the adjustment being, that there would be no advance  
2 public notice. Correct?

3 MR. DARREN RAINKIE: That's correct.

4 MR. KRIS SAXBERG: If there was going to be  
5 any change whatsoever to the quarterly rate Application in  
6 terms of the mathematical calculation or of any other relief  
7 being asked concurrent with the quarterly rate adjustment, in  
8 that situation will the company be providing notice?

9 MR. DARREN RAINKIE: Mr. Saxberg, the history  
10 we've had with this rate setting methodology, I think, goes  
11 back to 2000 and I don't think there's been any changes to  
12 the processes, the calculations, or anything to do with it,  
13 without coming to the -- to the Board or the Board issuing a  
14 -- an -- an order or a -- or a directive.

15 Everything that we've changed since we -- when  
16 we initially put the process in place there was a Hearing.  
17 And we've had various toing and froing since, either on an  
18 intermixed party basis or at public hearings so I'm not --  
19 I'm not sure if you're implying that we would do something to  
20 change it without asking the Board's approval. Is that -- is  
21 that your question?

22 MR. KRIS SAXBERG: No -- no, and I know you  
23 would bring a notice in that situation where you were going  
24 to change the actual process but sometimes you ask for other  
25 relief at the same time and it may be small but it's still

1 not directly related to the quarterly rate setting process.

2 MR. DARREN RAINKIE: Are you referring to  
3 removing rate riders on a -- a component of our bill other  
4 than primary gas, as a example?

5 MR. KRIS SAXBERG: Yeah.

6 MR. DARREN RAINKIE: In that -- that was  
7 directed by a previous Board order. For instance, the --  
8 what happened on July 31 was already directed by the Board.  
9 It came out of a public hearing with notice and a decision  
10 was there so I -- I wouldn't agree that that was with --  
11 without notice.

12 I think that was contemplated and we were  
13 simply implementing something that had already been approved  
14 by the Board.

15 MR. VINCE WARDEN: But Mr. Saxberg, the --  
16 the process we follow -- and if we want to make any changes  
17 to the methodology we make an application. And if we deem it  
18 to be incidental, then we would probably ask for interim ex  
19 parte and it would be up to this -- this Board as to whether  
20 that was granted on that basis.

21 MR. KRIS SAXBERG: Okay, and I appreciate  
22 that answer and those are all my questions. I'd like to  
23 thank the Panel and thank the Board and sign off.

24 THE CHAIRPERSON: You're sure? I'm just  
25 kidding, Mr. Saxberg. Thank you. Ms. Melnychuk...?

1

2 RE-CROSS-EXAMINATION BY MS. KAREN MELNYCHUK:

3 MS. KAREN MELNYCHUK: Thank you, Mr.

4 Chairman. I have a few questions of the Panel and they arise  
5 from a discussion between Mr. Peters, this morning, and Mr.  
6 Warden in regards to the changes that are proposed to the  
7 terms and conditions of service to implement your integration  
8 of the two (2) bills into one (1).

9 Currently, the customers that are -- are  
10 listed on a Hydro bill may not be the same as the customers  
11 listed on a Centra Gas bill. Correct?

12 MR. VINCE WARDEN: Could I just ask  
13 clarification? In terms of the same address, we could have  
14 two (2) different distinct names on the bill? Yes, that's  
15 possible.

16 MS. KAREN MELNYCHUK: Yes, we could have Mr.  
17 Smith on the hydro bill and Mrs. Smith on the gas bill?

18 MR. VINCE WARDEN: That -- that is possible,  
19 yes.

20 MS. KAREN MELNYCHUK: And once the  
21 integration is complete, how does Manitoba Hydro propose  
22 putting those two (2) together?

23 MR. VINCE WARDEN: Well, there will be -- and  
24 as a matter of fact, we do this on a fairly routine basis --  
25 we do prepare reports that our customer service people follow

1 up on and attempt to clean up, so to speak, those  
2 discrepancies.

3                   So, if we have a Mr. and Mrs. Smith who we  
4 believe are at the same address and are under -- you know,  
5 resulting in -- in two (2) -- two (2) separate bills where  
6 one (1) could be accomplished with -- with a single name then  
7 we would attempt to assign a single name by contacting that  
8 customer and clarifying the -- the appropriate name.

9                   MS. KAREN MELNYCHUK: You would change it to  
10 or get permission to change it to a single name and not to  
11 both names?

12                   MR. VINCE WARDEN: That would be the  
13 approach, yes. Only with the consent of the customer, of  
14 course.

15                   MS. KAREN MELNYCHUK: My -- my reason for  
16 asking this is because on the gas side, when a broker  
17 approaches a customer they can only have the person whose  
18 name is on the bill sign the contract. So if you're  
19 proposing a change of any way of whose name is going to  
20 appear on that new bill, that will affect the way that we do  
21 our business.

22                   If it's Mrs. Smith on the gas bill, only Mrs.  
23 Smith can sign our -- our contract. Whereas, on -- if it's  
24 Mr. Smith on -- on -- on the hydro side -- do you see what  
25 I'm getting at?

1                   MR. VINCE WARDEN:    I do and -- and I think  
2 this is a -- you know -- a really good reason that we have  
3 the lines of communication between Centra Gas and -- and the  
4 broker communities.  So I think that is an issue that could -  
5 - could be resolved through those -- that communication  
6 channel.

7                   MS. KAREN MELNYCHUK:   You also stated earlier  
8 that in regards to when you receive payment from a customer,  
9 you will receive payment from both spouses even though one  
10 (1) spouse's name is on the bill in regards to both hydro and  
11 gas?

12                   MR. VINCE WARDEN:    We could receive payment  
13 from more than one (1) party that's resident at that address,  
14 yes.

15                   MS. KAREN MELNYCHUK:   So, does that mean that  
16 you hold all residents at that address accountable for -- for  
17 the hydro or the gas consumed at that premise?

18                   MR. VINCE WARDEN:    We, in the event of  
19 delinquency, we do pursue more than the name that's on the  
20 bill.  So, we could pursue a co-inhabitant of that address,  
21 yes.

22                   MS. KAREN MELNYCHUK:   You mentioned that your  
23 -- your customer service department does clean up on the  
24 bills.  We've run into several instances where customers have  
25 been deceased for twenty (20) years.  We run into that quite

1 often, and we attempt to clear that up with the customer and  
2 to get them to follow up with Hydro.

3 Are you actively pursuing that as well,  
4 because we can't sign a dead customer?

5 MR. VINCE WARDEN: I think you know, one (1)  
6 of the advantages we have of going to the new billing system  
7 in November of 2005, it will allow us to do a number of  
8 different things that we just simply can't do with our old  
9 billing system. Our -- our billing system was installed in  
10 the mid -- that is on the electrical side of the business was  
11 installed in the mid '80s, and has a lot of limitations.

12 So, checking service addresses, making sure  
13 that the name is correct, is -- is something that we'll be  
14 able to do by matching our database with other sources of  
15 information, other databases and being able to -- to ensure  
16 that the information that we have on that customer is as  
17 current as possible.

18 I do accept that there are a number of  
19 occasions where -- where the information isn't as -- as  
20 current as it should be.

21 MS. KAREN MELNYCHUK: In a -- in a situation  
22 like that, would it not be more -- more acceptable to the  
23 company if both Mr. and Mrs. -- Mrs. names were on the bill  
24 and not just one (1) person?

25 MR. VINCE WARDEN: It really is, and again, a

1 customer preference, if they want both names on the bill, we  
2 can accommodate that.

3 MS. KAREN MELNYCHUK: And yet you will take  
4 payment from both and hold either one (1) responsible for  
5 payment?

6 MR. VINCE WARDEN: That's right.

7 MS. KAREN MELNYCHUK: In regards to when you  
8 integrate those bills, we manage our customer database by  
9 account number, and those account numbers are assigned by the  
10 Utility, and those are the Centra gas account numbers. Is  
11 there any plan to change those account numbers in this  
12 integration?

13 MR. VINCE WARDEN: No.

14 MS. KAREN MELNYCHUK: So the Hydro numbers  
15 are going to change?

16

17 (BRIEF PAUSE)

18

19 MR. VINCE WARDEN: I'm not a 100 percent sure  
20 of that answer, Ms. Melnychuk, to tell you the truth. I  
21 think initially we would have both account numbers appearing,  
22 or at least on the database, ultimately though it makes sense  
23 to merge them into one (1) account. But which one (1) that  
24 will be at this point, I don't know.

25 There's a greater number of electricity

1 accounts, so it may go that direction, but there may be  
2 reasons why we -- it may be more appropriate to go the other  
3 direction, but at this point I really don't know the answer  
4 to that question.

5 MS. KAREN MELNYCHUK: As we must enroll and  
6 -- and cancel customers based on the Centra Gas account, and  
7 everything we do is -- is based on the Centra Gas account for  
8 all our customers going back twelve (12) years.

9 I would just like to, for the record, that  
10 that would impact on the brokers that do business in this --  
11 in this province, and that has significant ramifications to  
12 the way we handle our customers as well.

13 So, we would like to be a part of those  
14 discussions, or at least be given a significant amount of  
15 advance notice, because that would mean we -- we would have  
16 to make alterations to our entire customer database as well?

17 MR. VINCE WARDEN: Okay, we'll make sure your  
18 concerns are communicated, thank you.

19 MS. KAREN MELNYCHUK: Thank you. That's all  
20 my questions, thanks.

21 THE CHAIRPERSON: Thank you very much. Mr.  
22 Santos...?

23 MR. MARIO SANTOS: Even though they've been  
24 six (6) days asking questions, there's -- I still -- I have a  
25 -- a couple questions, and I'll briefly state them.



1                   It deals with this issue of the bills pursuing  
2 the finishing of customer and pursuing someone. Are you  
3 saying that in a household where there are say three (3)  
4 adults, under the old definition I guess we could say, say  
5 two (2) spouses plus an older son and daughter. Would you  
6 pursue the daughter for the outstanding account, or the son?

7                   MR. VINCE WARDEN: Typically no. No, the --  
8 in a situation as you described, it would be the -- the  
9 parents that would be pursued.

10                   MR. MARIO SANTOS: Right. I thought so, but  
11 I was -- by the way that you answered your questions, you  
12 sort of led me to believe that you'd pursue any adult in  
13 that --

14                   MR. VINCE WARDEN: Yes, sorry, I should have  
15 made that clearer.

16                   MR. MARIO SANTOS: Thank you.

17                   THE CHAIRPERSON: Okay, thank you, everyone.  
18 I'm going to call on Mr. Peters to tell us when this  
19 microcosm of society comes together again.

20                   MR. BOB PETERS: I hadn't thought of it that  
21 way, but thank you, Mr. Chairman, I have just three (3)  
22 matters of housekeeping that I hope will be helpful to the  
23 parties.

24                   The exhibit that Mr. Saxberg was going to  
25 file, that is his compilation of three (3) letters, I would

1 suggest we mark that as CAC/MSOS Exhibit Number 5, I believe.

2

3 --- EXHIBIT NO. CAC/MSOS-5: Compilation of three (3) letters.

4

5 MR. BOB PETERS: My second item of  
6 housekeeping, Mr. Chairman, will be of interest to the Board  
7 and the utility and others. On September the 16th, Professor  
8 Miller, on behalf of TREE/RCM provided information to the  
9 Board, in furtherance of the presentation made on September  
10 8th by that Intervenor, or those Intervenors. And, I'm  
11 sorry, presenters.

12 And their presentation that was made orally,  
13 as well as the one (1) embedded in the transcript, followed  
14 with some questions of Professor Miller. Professor Miller is  
15 responding to that, and he has sent in some information.

16 So, although this will not be marked as an  
17 exhibit, we'll make sure that all parties receive a copy, and  
18 I do note that it was sent electronically to those  
19 Intervenors whose e-mail address was with Professor Miller.  
20 I have since taken the liberty of forwarding it on to  
21 Simplot's Counsel and also MacDon's representative. But that  
22 information will be filed with the Board.

23 THE CHAIRPERSON: Can you put it in the  
24 record too, so it's all complete?

25 MR. BOB PETERS: Yes, we'll have it there as

1 a present -- part of the presentation material. It's not  
2 conducive to putting it in the transcript, in total, but I'll  
3 -- I'll get direction from the Board, and we'll -- we'll  
4 follow that up once we review it further.

5 Now, the last matter I have is in direct  
6 answer to your question as to when we gather again. And the  
7 outline of procedures contemplates that we will gather on  
8 Wednesday, September 22nd, to begin the closing comments at  
9 9:00 a.m. in this Hearing room.

10 It would -- it would be the normal course that  
11 Board Counsel will provide closing comments first, followed  
12 by the Intervenors in alphabetical order and then by Centra,  
13 and that will be the process that we utilize on Wednesday,  
14 September 22nd.

15 I can indicate, Mr. Chairman, that Mr.  
16 Gretener, on behalf of his client, who was here yesterday,  
17 and I, discussed closing submissions along with Ms. Murphy.  
18 And it appears his preference will be to provide a written  
19 closing argument, which he will endeavor to have filed with  
20 the Board by the close of business on Tuesday, September  
21 21st. And that way Centra will be able to respond to it, if  
22 they choose, in their closing comments.

23 So, those are my -- my comments, we will --  
24 unless otherwise have a need, we will reappear here on  
25 September 22nd, 9:00 a.m. for closing submissions.

1 Thank you.

2 THE CHAIRPERSON: Thank you, Mr. Peters.  
3 Thank you, everyone, for your participation, have a good  
4 weekend, and we'll see you next Wednesday.

5

6 (PANEL STANDS DOWN)

7

8 --- Upon adjourning at 2:47 p.m.

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11 Certified Correct

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Carol Wilkinson

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