MANITOBA PUBLIC UTILITIES BOARD

Re: CENTRA GAS MANITOBA INC.
2007 COMPETITIVE LANDSCAPE PROCEEDING

Before Board Panel:

Graham Lane - Board Chairman
Len Evans - Board Member
Eric Jorgensen - Board Member

HELD AT:

Public Utilities Board
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APPEARANCES

R.F. Peters		)Board Counsel
Marla Murphy		)Centra Gas
Brent Czarnecki		
Paul Kerr	(np)	)Coral Energy
Sandy Boyd	(np)	)Communications, Energy)and Paper Workers)Local 681
Kris Saxberg	(np)	)CAC/MSOS
Ivan Holloway		)
Eric Hoaken		)Direct Energy
Nola Ruzycki		)Marketing Limited
Karen Melnychuk		)& Energy Savings
		)(Manitoba) L.P.
Dave Hill	(np)	)Koch Fertilizer
Nick Gretner	(np)	)J.R. Simplot

APPEARANCES (CONT)

William Gange	(np)	)TREE and Resource)Conservation Manitoba

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--- Upon commencing at 9:03 a.m.

THE CHAIRPERSON: Good morning everyone. It's like a magnet, it seems to be constantly drawing us back to the same place. Okay, Mr. Peters...?

CENTRA PANEL, Resumed

VINCE WARDEN, Resumed

HOWARD STEPHENS, Resumed

ROBIN WIENS, Resumed

GREG BARNLUND, Resumed

LLOYD KUCZEK, Resumed

CONTINUED CROSS-EXAMINATION BY MR. BOB PETERS:

MR. BOB PETERS: Thank you, Mr. Chairman. Good morning, Panel and good morning, Mr. Barnlund.

Mr. Chairman, apology in order for me to Mr. Barnlund for not only spelling his name wrong, I -- I don't know if I pronounced it all that well yesterday. So I do apologize. And it's not that I didn't know better, it's just that I didn't do better, so.

MR. GREG BARNLUND: Accepted, thank you.

MR. BOB PETERS: I want to turn with the Panel to the Book of Documents, Tab 9 to start this morning and just briefly review some attachments found in

PUB/CENTRA-35(a) which are found at Tab 9 now of the PUB Exhibit 9.

In turning to Attachment 1, what this attempts to depict is Centra's view of a -- of a three (3) year comparison between its offering, on a variable offering that changes every three (3) months, compared to a retailer's fixed price offering, is that correct?

MR. ROBIN WIENS: That's correct, Mr. Peters.

MR. BOB PETERS: And when we see the -- the darker of the two (2) lines, as I don't believe anybody's are in colour, the black as opposed to the grey, the -- the darker line when it comes above the relatively horizontal grey line, that's an indication that the rates paid by system supply customers exceeds that -- what they would have paid if they were with a retailer at that price?

MR. ROBIN WIENS: Yes, that's correct, Mr. Peters.

MR. BOB PETERS: And so if you sum up the spaces above the line and compare them to the spaces below the line, inside the black -- the black line, you would get an indication as to whether consumers were financially better off with a retailer or with system supply?

MR. ROBIN WIENS: Yes.

MR. BOB PETERS: And in that particular example, Mr. Wiens, on table 1, some three (3) pages forward in Tab 9 of PUB Exhibit 9, there's an attempt to sum up the benefits or the costs over and above Centra's supply -- system supply price for this consumer?

MR. ROBIN WIENS: Again, correct.

MR. BOB PETERS: Now the graph goes for three (3) years, the table is extended to five (5) years, but would you take it, subject to check, Mr. Wiens, that if we drew the line after May 1st of 2003, the consumer would have saved approximately eighty-eight dollars and ninety-seven cents ($88.97) had they been with a retailer during that time-line?

MR. ROBIN WIENS: Sure, I'll accept that. Although we may have some further discussion on it a bit later.

MR. BOB PETERS: Fair enough. When we -- when we look at the Attachment 2, at PUB/CENTRA-35(a), the next chart or graph what appears striking here, Mr. Wiens, is that the fixed price from a retailer was approximately thirty (30) cents a cubic metre and the system supply price fluctuated mostly below that range, correct?

MR. ROBIN WIENS: Yes.

MR. BOB PETERS: And although it did at the end of the cycle, at the end of the five (5) year term, the system supply price was more expensive than the retailer's price, correct?

MR. ROBIN WIENS: Yes

MR. BOB PETERS: And when we go to table 2, we see that a consumer who would have been having their primary gas supplied by a retailer in that example would have paid approximately eight hundred and forty-eight dollars ($848) more over the five (5) years than had they been on system supply?

MR. ROBIN WIENS: That's what it shows.

MR. BOB PETERS: And not to belabour the point, but attachment 3 is another point in time comparison. The results are what they're graphed, and then on table 3 you calculate them. And this one's closer to break even, but it's approximately a hundred and twenty-one dollars ($121) more over the five (5) year period, that a customer on retailer supply would have ended up paying compared to system supply?

MR. ROBIN WIENS: Yes, again, that's what it shows.

MR. BOB PETERS: Now Mr. Warden told the Board yesterday that the company was looking for, in my words, "a green light." He may have agreed with me with that, in terms of offering -- alternative offerings.

And is the Board to understand that one (1) of those alternative offerings would be a fixed price product of some duration?

MR. ROBIN WIENS: Yes.

MR. BOB PETERS: And is there any way, Mr. Warden, that the company would have better knowledge on these graphs as to where to price the fixed price offering, than what -- what a retailer did?

MR. VINCE WARDEN: I'm not totally sure I understand your question, Mr. Peters. Better knowledge where to price?

MR. BOB PETERS: I apologize if the question was -- I'm aided by caffeine this morning. If -- in yesterday's questioning, I understood you to be telling the Board that you would like to the have the green light to price a fixed price offering to consumers in either the SGS or the LGS class, or both.

And that your expectation is that that could be measured against the default offering that the Utility has as to whether or not there has been economic benefits to consumers?

MR. VINCE WARDEN: Well, I did say that that would be one benchmark we would use, yes.

MR. BOB PETERS: And so what you're

telling the Board is after, if you were allowed to offer a fixed price contract, you'd prepare a graph and tables just like we're looking at here at PUB Exhibit 9, Tab 9?

MR. VINCE WARDEN: Sure, we would do that, yes.

MR. BOB PETERS: And you would use that to determine whether or not your fixed price offering was of advantage to consumers or not?

MR. VINCE WARDEN: Correct.

MR. BOB PETERS: But you would also acknowledge that you're comparing two (2) different products when you do that?

MR. VINCE WARDEN: We are.

MR. BOB PETERS: And is it your suggestion that Centra would be able to design a fixed price offering that would consistently yield savings to consumers compared to the system supply offering?

MR. VINCE WARDEN: No.

MR. BOB PETERS: You would have no better ability to do that then with the brokers; would you agree with that?

MR. VINCE WARDEN: We would have no better ability to forecast future prices than the brokers, correct.

(BRIEF PAUSE)

MR. BOB PETERS: One of the points that I'm not sure is significant, but I'm going to ask you, Mr. Warden, and, Mr. Wiens, is that when we look at these three (3) graphs, the retailer or broker's starting point in each of them is above the Centra variable price.

Do you agree with that?

MR. ROBIN WIENS: That appears to be the case.

MR. BOB PETERS: Is that a requirement when designing a fixed price offering; that your price in the marketplace will be above what the default price currently would be for the -- for the default su -- system supply?

MR. VINCE WARDEN: I would say not necessarily.

MR. BOB PETERS: What would it be based on, Mr. Warden?

MR. VINCE WARDEN: It would be based on what we could negotiate with the supplier.

(BRIEF PAUSE)

MR. BOB PETERS: When we turn to Tab 10

in the book of documents, marked as PUB Exhibit 9, we have from these proceedings a copy of the Information Request, PUB/CENTRA-21.

And this is one where the Company is going to explain how they came to the conclusion that a typical residential customer using retailer supplied primary gas would have paid approximately 10 percent higher than if they were on system supply; is that correct?

MR. ROBIN WIENS: Yes.

MR. BOB PETERS: And, Mr. Wiens, when we look at the information that's provided, you -- you have on Attachment 3, the last page in Tab 10 in the book of documents, provided a summation of the value of expired contracts, compared with what Centra was offering as a variable price contract.

MR. ROBIN WIENS: That's right.

MR. BOB PETERS: And what you attempted to show the Board in this -- in this Information Request is that if you took the approximate twenty-six (26) retailer contracts that have expired and compared them to what consumers would have paid under system supply, compared to the broker supply, you came up with the difference in the far right-hand column.

MR. ROBIN WIENS: That -- that's correct.

MR. BOB PETERS: And the difference that

you've calculated was done over the term of the contract, and it was an attempt to compare whether consumers were paying more or less under fixed price compared to system supply?

MR. ROBIN WIENS: Yes. In -- in each case, what was examined was the typical customer usage during the period of each contract and the system supply price that prevailed -- or prices that prevailed over the same period.

And a comparison is made of what the customer would have paid for primary gas on the fixed price contract versus the system supply price for the same quantities of nat -- primary gas.

MR. BOB PETERS: And then just a couple of observations that you can confirm, Mr. Wiens, to the Board, that if we're looking on line 2 of Attachment 3, which is the last page in -- in the book of documents, Tab 10, that's -- that's the same contract that we just talked about previously where there was an eighty-eight dollar ($88) price advantage, if you will, to a consumer using retailer supply.

MR. ROBIN WIENS: Yes.

MR. BOB PETERS: And then everyone that's not in brackets is a reflection that the consumers paid more under retailer supply than they would have under system supply.

MR. ROBIN WIENS: Yes.

MR. BOB PETERS: And then we see that the -- the last thirteen (13) approximate contracts that have settled out and have -- have expired, were all contracts where consumers would have saved had they been with retail supply compared to system supply.

MR. ROBIN WIENS: Sorry, Mr. Peters, can you repeat that?

MR. BOB PETERS: I was just asking if -- if it's correct to say that the last thirteen (13) contracts listed, all demonstrate that consumers would have saved money on their primary supply by being with a retailer, compared to being with Centra's primary -- Centra's system supply.

MR. ROBIN WIENS: Actually here it looks like eleven (11), but maybe that's splitting hairs.

MR. BOB PETERS: Okay. Can you explain to the Board why those contracts are -- there appears to be -- if a pattern is -- or is there a pattern there that the Corporation determines?

(BRIEF PAUSE)

MR. ROBIN WIENS: Yeah. Offhand, Mr.

Peters, I don't see a pattern. That just seems to be the way those contracts turned out. It no doubt has to do with, you know, how the market performed over that period, but without investigating a little further, I can't tell you what the pattern is.

MR. BOB PETERS: Would it be fair to say that the market is the one that -- the market is the cause of whatever happened on this page?

MR. ROBIN WIENS: Well, I think, yeah, by definition the market is the cause of whatever happened on this page, whether it was the market subsequent to or the market at the time the contract was -- was offered. It's the market.

MR. BOB PETERS: And if -- if the consumers knew and had the benefit of knowing in advance what the market was going to do, of course they -- their decision would be one where they would always save money, correct? That's the economic theory?

MR. ROBIN WIENS: Theory of the rational consumer, yes. If they had perfect information, they would act on it.

MR. BOB PETERS: And in this case, the consumers may have had information going into their three (3) or five (5) year fixed contract, and something happened along the way, and the results are what they are, which wouldn't have been foreseen at the time they started their contract.

MR. ROBIN WIENS: No one has perfect knowledge of the future, so one -- no, it would not have been foreseen. Certainly some -- some people will take a view of what's going to happen and act accordingly, and their view may or may not be borne out.

MR. BOB PETERS: All right. Before I leave this page, Mr. Wiens, a couple of more points. This -- this page was an attempt to stand behind a statement in your evidence where there was a 10 percent additional cost for having retail supply compared to system supply, correct?

MR. ROBIN WIENS: Correct.

MR. BOB PETERS: And what you've done at the bottom of Attachment 3, the last page in Tab 10 of PUB Exhibit 9, is you've simply taken an arithmetic average of the expired contracts to come up with your calculation of the 10 percent additional cost?

MR. ROBIN WIENS: Yeah, unweighted arithmetic average, yes.

MR. BOB PETERS: All right. Unweighted, that's an interesting word, Mr. Wiens, because what you're not telling the Board in this answer is how many customers benefited or paid more under any particular contract, are you?

MR. ROBIN WIENS: That's right.

MR. BOB PETERS: And you don't know, on average, what the -- what the weighted average would have been as to what their total savings would have been or what the cumulative savings would have been under any arrangement?

MR. ROBIN WIENS: We don't know that, no.

MR. BOB PETERS: So it's conceivable, as we sit here, that in some instances consumers may have saved tens or hundreds of thousands or millions of dollars but there may have been other consumers who have paid tens or hundreds of thousands or millions of dollars more for their gas as well?

MR. ROBIN WIENS: That's right.

MR. BOB PETERS: And the only way you would ever get to a bottom line or net that out is if you went through each and every offering by each and every customer, and then weighted them and -- and did your exact calculations?

MR. ROBIN WIENS: That's right.

MR. HOWARD STEPHENS: Mr. Peters, just one (1) observation. You had asked if there was any pattern with respect to this. I think there would be characters -- I mean the characteristic I would draw is -

- I would draw out is the fact that we were looking at an ascending market. I mean, it was a market where the price was climbing continuously. So from that perspective that would be the characteristic I would ascribe to it.

MR. BOB PETERS: Well, let's just talk in general terms, then on that, Mr. Stephens.

If the market is flat then consumers would be better off under Centra's variable contract, because it's traditionally lower than what we see as the starting point for the retailers' contracts?

MR. HOWARD STEPHENS: That's true.

MR. BOB PETERS: If the market is rising, which no one has the foresight to predict, consumers would be better of financially on system supply?

MR. HOWARD STEPHENS: That depends on how much -- how much the prices rise.

(BRIEF PAUSE)

THE CHAIRPERSON: I think you said it backwards, Mr. Peters.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: I don't even drink

coffee and I think I'm gonna have -- I'm ahead of myself.

MR. HOWARD STEPHENS: I've had three (3) cups.

MR. BOB PETERS: Well, thank you for correcting me. I apologize for misspeaking.

The -- the point I was trying to suggest is that you identified -- you identified, Mr. Stephens, that the -- the last eleven (11) and twelve (12) or thirteen (13) contracts on Attachment 3 would have reflected a rising market price?

MR. HOWARD STEPHENS: That's correct.

MR. BOB PETERS: And Centra's variable price would have been rising with the market in some relationship, and would have been above the retailers' fixed price?

MR. HOWARD STEPHENS: Unless we triggered our hedges. If the price rose high enough to trigger our hedges then we wouldn't experience the increase for a portion of our oil.

MR. BOB PETERS: And we'll get to hedging, Mr. Stephens, but if it triggers the hedge at the top, there's also an impact as to when it would trigger the hedge at the bottom?

MR. HOWARD STEPHENS: Oh, obviously, yes.

MR. BOB PETERS: All right. In terms of

comparing some of the charts we've looked at, Mr. Wiens tentatively agreed with me that in Tab 9 there was a demonstration that one (1) of the contracts that settled shown on Tab 1-- Table 1 of PUB-35(b), there would have been an approximate eighty-eight dollars ($88) financial benefit to consumers.

If I follow through to Tab 10 and look at Attachment 3 I see that same contract and there's the approximate eighty-eight dollar ($88) savings for the August 2000 to August 2003 contract?

MR. ROBIN WIENS: Yes.

MR. BOB PETERS: And, Mr. Wiens, when I look further in some of the materials that is -- that are provided, I'm now looking at the book of document number 7 and some information that was filed in response to Direct Energy/Energy Saving's question of Centra number 16.

And we looked to see what the financial impact was of the August 2000 to July 2003 contract; there appears to be three hundred and ten dollar ($310) savings, if you can take that subject to check and -- and eyesight.

MR. ROBIN WIENS: Particularly eyesight.

MR. BOB PETERS: You won't find the sum of that number on that chart as much as you will squint at it, Mr. Wiens, because they weren't summed. But if -- if you take that, subject to check, there appears to be a discrepancy as between the calculation of the savings that a consumer would have had for that very same contract that we've talked about for August of 2000 to July 2003.

(BRIEF PAUSE)

MR. HOWARD STEPHENS: Mr. Peters, where are we exactly? I was -- I was looking at something else.

MR. BOB PETERS: I guess we could start at 2(a) on -- on Tab 7 of the book of documents. What we were trying to determine is: There appears to be some conflicting information in terms of the net result of a retailer's contract compared to fixed price contract, and we're going to try to reconcile which information the Board should or may want to put more weight on.

MR. HOWARD STEPHENS: There -- there's a difference between this table and -- maybe we should draw the distinction very quickly here.

This is talking about not only primary gas but when we look at the tables that follow, or the graphs that follow that are generated from these tables, they are indicating the volatility associated with the contracts and not necessarily the absolute price.

MR. BOB PETERS: Okay. I'll come back to you on that, Mr. Stephens, but can we not use the data that's provided to determine the absolute price?

(BRIEF PAUSE)

MS. MARLA MURPHY: Can I just understand how you arrived at the three hundred dollar ($300) figure that you gave us? Did you take the -- on table 2(a) the columns August 2000 through to August -- through to June of 2003 and add them up for each of the Centra and then the August 1st contract, the next column over?

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Yeah, for the benefit of the witnesses, Ms. Murphy, good question. We -- we simply -- the chart doesn't sum them up but we did sum -- sum the fixed price contract August 1st, 2000 to 2003 and then we compared it with the column immediately to the left of that, which was Centra supplied customer prices during the same time period.

And we end up coming with some signif -- well, I better not use the word "significant" unless Mr.

Enns is here, but there's some -- there's some appreciable difference in the -- in the amounts, and we were wondering how we -- how the Board could reconcile those calculations.

MR. HOWARD STEPHENS: I think the significant difference here between this and the tables that we provided before, was in some circumstances there were gaps with respect to the fixed price offering. So we had to do some -- make some assumptions as to what the fixed price offerings would be and then go through the prices -- I mean go through the rate tables, et cetera, and come to a -- a monthly consumption -- or a monthly bill.

(BRIEF PAUSE)

MR. BOB PETERS: Mr. Stephens, don't we have the absolute amount for each month or each period in those three (3) years on this table, and one would -- one would expect them to come to the same -- same result?

MR. HOWARD STEPHENS: I do know, sir, that in the preparation of this that we did not have fixed prices in some circumstances. I can't speak specifically to the two (2) columns that you're talking about making the comparison to, but there were some circumstances where we didn't have a fixed price offering or a price associated with that.

And we haven't done them on a volume weighted basis. We picked the mode, if you will, in terms of the number -- the rates that were being involved, or being provided by the brokers and we looked at the number. If there were a number of different service offerings we looked at the customers that had picked the -- or the -- the rate that most customers picked, as opposed to the average or something else, to arrive at the number.

(BRIEF PAUSE)

MR. BOB PETERS: We'll look at that further as I'm sure your -- your colleagues and you are, Mr. Stephens. But if we -- if we want to then move to a comparison of -- of the PUB/CENTRA-21 answer, there was also, found at Tab 14 of the book of documents, a response -- it was Centra question Direct Energy/Energy Savings Manitoba number 5, and again some information was provided in comparison of system supply versus retailer supplied fixed-price contracts; you're aware of that?

MR. HOWARD STEPHENS: I am.

MR. BOB PETERS: And in this situation

did the Corporation attempt to reconcile that information with what was provided in PUB/CENTRA-21, found at Tab 10 of the book of documents?

MR. ROBIN WIENS: Yes, Mr. Peters. We -- we did make an attempt to reconcile those.

MR. BOB PETERS: And I understand from your counsel that you -- you may be prepared to hand out some worksheets to -- to try to explain to the Board how you -- how you tried to reconcile those amounts?

MR. ROBIN WIENS: That -- that appears to be happening as we speak.

MR. BOB PETERS: All right. If we could just take a minute then, Mr. Chairman, we'll -- we'll pass those to the Board and other parties.

(BRIEF PAUSE)

MS. MARLA MURPHY: I might just indicate for the record, this is a comparison that has been prepared which -- which I think will provide hopefully a more fulsome picture of the two IRs. It can perhaps be marked at the appropriate time as an exhibit.

MR. BOB PETERS: Why don't we do that right now then if Ms. Murphy has...

MS. MARLA MURPHY: I believe we're up to

number 12 for Centra.

--- EXHIBIT NO. CENTRA-12: A comparison to reconcile that information provided in PUB/CENTRA-21, Tab 10, of the book of documents

THE CHAIRPERSON: So this reflects both the DEML IR plus the Centra one?

MS. MARLA MURPHY: Yes, it actually includes a third one that Mr. Peters was just referring to as well. So PUB/CENTRA-21 and CENTRA/DEML-5 are there in the first two (2) columns. We've included the third one although, as the witnesses have alluded to it, it actually compares a different thing. They're not directly comparable, but for the Board's information they're all contained there.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Mr. Wiens, if -- if you're going to assist the Board in explaining how you attempted to reconcile the information, can you just explain to the Board what you've done in -- in the various columns?

MR. ROBIN WIENS: I'm going to try that -

- try to do that. There's a lot happening here, Mr. Peters.

First, you -- you will notice that in the first column which is Centra's response to the PUB Information Request number 21, that we've got -- we've got a list, I believe of twenty-nine (29) contract periods here.

And in the first column in the response to --

MR. BOB PETERS: If -- if I can just interrupt you, Mr. Wiens, and I'll do that subject to Ms. Murphy letting me continue to do that.

There were -- in a previous IR that we just walked through with the Board there was an indication that there were twenty-six (26) contracts that were settled. So you've got additional information here then do you of -- of three (3) more contracts that have settled? And I'm referring to Attachment 3 PUB/CENTRA-21, found at Tab 10.

MR. ROBIN WIENS: Yeah. This -- this first page on this new exhibit shows -- lists twenty-nine (29), and you'll see in the first column, which refers to the response to PUB/CENTRA-21, that there's been a -- a price filled in for twenty-six (26) of them. That reflects the twenty-six (26) that were responded to in the original Information Request. Where there's a little dash, that's a contract that we've identified subsequently that we did not include in the response to PUB-CENTRA-21.

Over in the next column, you'll see that there are quite a few more dashes, and that's simply representing the fact that the response by DEML/ESMLP included only twelve (12) contracts and the others were not addressed in that response.

So that's one (1) of the major differences between the two (2) responses, is that one covers -- although not all the contracts that we subsequently identified, it covers twenty-six (26) out of twenty-nine (29), and the other covers, I believe, twelve (12) of those.

Now, other differences that we noted when we went through and examined these things in detail, is that the volumes have differed slightly in each of the comparisons. Note -- Note 2 on this documents says:

> "Both volumes were significantly different than what Centra used, but the load profile is approximately consistent, and the impact of the difference should not be material."

Another factor is that in the original

response to PUB/CENTRA-21, the PGDR, which was the primary gas deferral, that was applied over a two (2) year period from August the 1st of 2001 to July the 31st of 2003, was not included in the response to PUB/CENTRA-21.

In the response to CENTRA/DEML number 5, the PGDR was included, but as far as we were able to determine, it wasn't included correctly in all cases. So that will account for some of the other differences.

(BRIEF PAUSE)

MR. BOB PETERS: Mr. Wiens, as the room is digesting some of what you're indicating, when I turn to Tab 14 of the book of documents and I find a Centra question of Direct and Energy Savings number 5, there's a response that of the twelve (12) fixed price contracts that have completed their life cycle, there's a suggestion that eight (8) have produced savings for the consumers, over and above what they would have -- compared to what they would of had if the were on system supply. And you see that statement, correct?

MR. ROBIN WIENS: I do see that statement.

MR. BOB PETERS: And from what I'm

looking at now, the Centra Exhibit 12, you're suggesting that statement isn't accurate at this point.

(BRIEF PAUSE)

MR. ROBIN WIENS: Mr. Peters, this -- this may be subject to check, but I -- I believe that when we went through, we determined that eight (8) out of the twelve (12) contracts that was -- that was approximately correct. There may have been one (1) or two (2) that weren't, but I'm -- I'm not in a position to clarify that.

But what we did do is we went through all twenty-nine (29) subsequently, and you'll find that on page 2 of 3 of Centra Exhibit number 12. And what we determined was of the twenty-nine (29), it appears that the customers who were on the fixed price contract were somewhat financially better off in fourteen (14) out of those twenty-nine (29).

MR. BOB PETERS: And I see on page 3 of 3, that number drops to thirteen (13) of twenty-nine (29) when you -- when you factor in this PGDR.

MR. ROBIN WIENS: Well the difference between page 2 and page 3, and I should probably say a few words about that, is on page 2 in contrast to what we provided in the PUB/CENTRA-21 response, we have included the PGDR, as it affected both the system supply customers and the fixed price customers.

And as you know, that was a fairly complex application, so what we assumed was, that the -- that the fixed price customers who entered into contracts, or who were involved in the contracts after May the 1st of 2001 were subject to the PGDR, and that all system supply customers were subject to the PGDR for the period of a -- of August 1st, 2001 through July 31st of 2003.

So with the PGDR included in the comparison, what we're showing is that fourteen (14) of twenty-nine (29) fixed price contracts, the contract finally settled with a slight or some financial advantage to the fixed price customer.

When the PGDR is excluded from the comparisons, as it is on page 3, that number changes slightly to thirteen (13) out of twenty-nine (29).

THE CHAIRPERSON: Mr. Wiens, I think you said it backwards again. I think your page 2 of 3 suggest that that the net was financial gain was to the system supply, was it not? Am I getting this wrong?

MR. ROBIN WIENS: No, all I'm saying is here is -- it's Mr. Peters that likes to say things backwards, Mr. Chairman.

All -- all I'm saying here is that in -- when we went through these, in fourteen (14) out of twenty-nine (29) of the individual contracts, the -- there was some financial advantage at the conclusion of the contract to the fixed price customer.

THE CHAIRPERSON: On fourteen (14)?

MR. ROBIN WIENS: On fou -- in fourteen (14) out of the twenty-nine (29) cases. In the other fifteen (15) it was the reverse.

If you're talking about the net effect, because in terms of -- in each case there was an amount of difference associated with that contract. And overall, the net effect on average was that the system supply customer was somewhat better off financially, to the tune on average of two hundred and twelve dollars ($212) per contract, or 8 percent.

THE CHAIRPERSON: But lacked price certainty during the term?

MR. ROBIN WIENS: Pardon?

THE CHAIRPERSON: But lacked price certainty --

MR. ROBIN WIENS: But lacked price certainty, that's true.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Mr. Wiens, thank you for that. I just want to understand what you're telling the Board at the bottom of Centra Exhibit 12, page 2 of 3 where you do the aggregate impact on broker customers.

And is the -- is the bottom calculation suggesting that when the broker supplied contracts were lower priced, there was an average cost of, or savings of one thousand seven hundred and eighty-seven dollars ($1,787)?

MR. ROBIN WIENS: I don't think that's average. I think that would be the total. So if you wanted to get the average, you'd have to divide it by the number of contracts, which in that case is fourteen (14).

MR. BOB PETERS: And then likewise, where the broker prices were higher than the savings, you'd have to divide that by the -- by the number of system supply contracts that were financially better off for consumers?

MR. ROBIN WIENS: Yeah, by fifteen (15)

MR. BOB PETERS: All right. And is that the last answer you gave the Chairman, where you had already netted them out, and you had come to that conclusion? What was --

MR. ROBIN WIENS: That's right.

MR. BOB PETERS: What was that

information again please?

MR. ROBIN WIENS: Two hundred and twelve dollars ($212) on average, per contract.

MR. BOB PETERS: All right. And you're taking the simply average then of -- of what was provided in the columns under the word, "difference?"

MR. ROBIN WIENS: That's right.

MR. BOB PETERS: And again, Mr. Wiens, unless you weighted those, you wouldn't know whether there was a net additional savings or additional cost for primary gas for the customers?

MR. ROBIN WIENS: Well, you're saying unless you weighted them - and I'm assuming you mean by the number of customers - and in which case if you were able to do that, what you would find would be the impact across the market.

MR. BOB PETERS: Mr. Wiens, in the column where there appears to be additional cost to consumers under a retailer fixed price offering, that amount is not profit to the retailer necessarily is it?

MR. ROBIN WIENS: We don't know what that amount is, Mr. Peters.

MR. BOB PETERS: And you're not suggesting then that it's profit to the broker or retailer?

MR. ROBIN WIENS: No, we're not.

MR. BOB PETERS: And in fact the broker could be making or losing money on any of those contracts?

MR. ROBIN WIENS: That's right.

(BRIEF PAUSE)

MR. BOB PETERS: Would it be Centra's position and an acknowledgment that the brokers are putting forward a value added product, where there's not only the molecules but the price certainty?

MR. ROBIN WIENS: Yes.

MR. BOB PETERS: Does Centra consider their default product a value added product that has the molecules but there's a hedge price component impacted by storage gas and PGVA impacts?

MR. HOWARD STEPHENS: I would suggest, yes.

MR. BOB PETERS: And while you would both, Mr. Stephens -- or say both are value added products, again, they're not directly comparable because they purport to accomplish different things?

MR. HOWARD STEPHENS: That's right. They're serving different market requirements.

MR. BOB PETERS: Is the retailer price for primary gas more transparent than Centra's price?

MR. HOWARD STEPHENS: No, I wouldn't say that.

MR. BOB PETERS: How are you defining "transparent" in the answer, Mr. Stephens?

MR. HOWARD STEPHENS: The prim -- cost of primary gas that the marketer is selling to the consumer, relative to say the -- well, the monthly index -- AECO index.

MR. BOB PETERS: Would you say that if the retailer price for primary gas was more transparent than Centra's price, it would simply be the market dictating that and it would be unforeseen and un -- unpredictable?

MR. HOWARD STEPHENS: Maybe you could give that to me again, Mr. Peters.

MR. BOB PETERS: In terms of price transparency, you're suggesting to the Board that a transparent price for consumers would be what the AECO price would be.

MR. HOWARD STEPHENS: When I speak of transparency I think of using some sort of reference, and the best reference I can think of is the Alberta -- the price -- the price of gas each and every day or for whatever specific term you're looking at, and then comparing that to what the customer would be buying.

MR. BOB PETERS: And there's no option available in the Manitoba market for customers to have a transparent rate for their gas; that is an AECO price on a -- a monthly basis?

MR. HOWARD STEPHENS: Well, I mean the information is available.

MR. BOB PETERS: But there's no way they can purchase that? There's no offering out there that -- that allows them to buy that?

MR. HOWARD STEPHENS: Well, all of the rate offerings will have some relationship to the AECO index, as to whether or not they're a fixed price and they have a premium associated with them and have been hedged, or our variable price, but it is modified to a certain extent by our rate management program, so.

I mean, there are no direct comparisons. There are no absolutely clean comparisons. The only way you could have a clean comparison would be if we provided or a marketer provided a fully variable priced primary gas offering that related directly to the AECO market.

MR. BOB PETERS: Is that fully variable price that you speak of a monthly offering that you're suggesting would -- would have to be made?

MR. HOWARD STEPHENS: Well, if it was a monthly offering then you would use AECO monthly pricing.

MR. BOB PETERS: Is price transparency a goal of Centra?

(BRIEF PAUSE)

MR. HOWARD STEPHENS: That goes right back, I guess, to the development of our rate management program, and it's what we think is the appropriate balance between price transparency and volatility reduction. And so there is -- there are two (2) components to it; one (1) modifies the other.

MR. BOB PETERS: If Centra wanted to offer a transparent rate offering, they wouldn't hedge. Is that what you're telling the Board?

MR. HOWARD STEPHENS: No, I didn't say that, sir.

MR. BOB PETERS: Well, you're saying if -- if there was to be a more transparent rate offering then from Centra, it would be one that you didn't hedge, but you simply took the market price?

MR. HOWARD STEPHENS: Well, I -- I think the earlier example I provided you -- if you wanted absolute a hundred percent price transparency, you would have to provide a fully variable rate that reflects -- I mean, the corresponding index at -- at AECO or whatever hub you choose -- choose to index it to.

I'm reminded, Mr. Peters, that we should be mindful of the PGVA, which also has a tendency to allow prices to stay somewhat more stable than index prices, but in the -- in the end will get trued up as a result of our rate setting methodology.

MR. BOB PETERS: But if the PGVA didn't have to account for any hedging impacts, the -- the impact of the PGVA would be less; that would just simply be the monthly differences on what's -- what is the rate compared to what is charged to consumers?

MR. GREG BARNLUND: I think that is not a correct assumption, because the PGVA is gonna capture the difference between our sales rate for that month and the actual cost to gas for that month. And without hedging, the actual cost to gas could dramatically vary from what is imbedded in our sales rate, and therefore contribute to a buildup in the PGVA that would have to be collected in a subsequent period, and could introduce additional volatility in that monthly price, compared to the underlying market price that you'd experience.

MR. BOB PETERS: That's a one (1) month buildup, isn't it, Mr. Barnlund, that you're talking about?

MR. GREG BARNLUND: If the -- if it was designed to be reset on a month to month basis, that's correct. In this climate where you have a significant amount of weather variation, a one (1) month buildup in December or January or February could be significant.

MR. BOB PETERS: But if you set your -- if you set your monthly rate, taking into account what the market was telling you, you would expect that to be relatively close to what you'd end up with thirty (30) days later?

MR. GREG BARNLUND: It's -- yeah, it -- that's not, I don't think the case. I think that you've got other variables in terms of the weather that come into consideration, and you also have the fact that you're never, even on a very short timeframe, like a month, you're never going to be able to predict what the outcome in the market will be for that month.

MR. BOB PETERS: Well, and that current variability is reflected in the PGVA that currently exists, does it not?

MR. GREG BARNLUND: It's captured in that way.

MR. BOB PETERS: And on a month-to-month basis, what would be -- what do you see as the exposure for the PGVA growing on a monthly basis on this December -- on this December month that you're raising?

(BRIEF PAUSE)

MR. GREG BARNLUND: It's difficult to quantify, but it's a combination of effects of the potential of some dramatic price change in the market, combined with some significant weather variations that might occur. In other words, you could end up with a design condition that occurs in terms of cold weather, which is far outside of what you're normally basing your -- your rates upon. There could be a combined effect of some significant price increases that occur through that period of time.

So it's really difficult to begin to quantify what the difference might be.

But the other problem you've got is that you're not recovering it over the same amount of volumes. You end up with a situation, and I think that we've seen that in some of the examination. We looked at the pricing in Alberta, of the default supply in Alberta, where you might have an occurrence in say February, where you've got a lot of variation from both weather and price that has to be recovered over a smaller volume in March, because the March volumes are by nature smaller because of the weather.

And that introduces -- it magnifies the amount of volatility because you -- you're not recovering that over the same volumes over a twelve (12) month period. You're recovering it over the next thirty-one (31) days.

MR. BOB PETERS: Well two (2) points on that then, Mr. Barnlund. That -- that's just a function over what period of time do you -- do you recover the PGVA, whether it's one (1) month, three (3) month of twelve (12) months?

MR. GREG BARNLUND: That would be one (1) of the considerations, yes.

MR. BOB PETERS: And the other consideration is that under the current system with hedging, you're looking as much as a year -- nine (9) months or a year out when you're locking in your hedge prices for gas, based on what the market is telling you from -- from some considerable distance.

MR. GREG BARNLUND: For some portion of our supply, yes.

MR. BOB PETERS: And for -- for the minimum -- the minimum load that you expect for that period under hedge?

MR. GREG BARNLUND: Yes.

MR. BOB PETERS: And do you think that the market from nine (9) or twelve (12) months away is -- is more accurate than maybe one (1) month away?

MR. GREG BARNLUND: Well the strip price that you see everyday is -- is the result of the -- I guess the immediate consensus of the participants in the market, of what -- from that particular point in time what prices will do over the next say twelve (12) month period.

The consensus will be different tomorrow and it will be different the day after. So that's -- that's the way that -- that would work.

MR. HOWARD STEPHENS: Let me just add to that, Mr. Peters. I mean, if you're speaking of near term gas or whether you're talking about gas that we're looking at prices for -- for five (5) years out, the difference may be that there -- there may be a difference, a significant difference in terms of amount of volume that's being traded five (5) years out, so the liquidity associated with it may not provide you with quite the same accuracy in terms of anticipated price.

MR. BOB PETERS: All right, thank you for that. Is it suggested, Mr. Barnlund or Mr. Warden or Mr. Stephens, that Centra's hedging and rate setting methodology is an attempt to reduce bill volatility? Or is it confined simply to rate volatility that it's targeted at?

MR. HOWARD STEPHENS: Yes, that's a concept or something we put for the Board a number of years ago, when we were re-looking our hedging program, and we were looking at a variety of different tools to manage volatility and the changes to customers' bills, which is the focus that we take.

And so from that perspective my answer would be yes.

MR. BOB PETERS: Yes, that Centra's hedging and rate setting methodology is to reduce bill volatility?

MR. HOWARD STEPHENS: Well, it is designed to reduce the rate volatility, but with the corresponding effect on bills.

MR. BOB PETERS: And the corresponding effect on bills may or my not be to reduce the volatility of the bills?

MR. VINCE WARDEN: Maybe I'll answer. Mr. Peters, the most significant variable on bills is whether -- and I guess just reflecting on your question as -- as to whether or not it's the -- the goal of the Corporation to -- to have transparency for customers of -

- of prices.

And really I -- I don't think customers are all that interested in the day-to-day fluctuations of -- of the marketplace. There -- the transparency to customers is what their bill is going to be. So we're trying to make the bill as -- the rate to customers transparent by fixing to the extent possible that we can through the price management program the rate.

So that's what we do through -- with our hedge programs, we do mitigate rate volatility which is not -- the opposite of rate transparency.

(BRIEF PAUSE)

MR. BOB PETERS: And a question that was asked of Centra by Direct Energy and Energy Savings -- that's found at Tab 7 of the book of documents, and we looked at it briefly. There was a question to Centra about bill and rate volatility, and Centra was asked to compare the bill and rate volatility between a typical system gas customer, and a typical purchase customer over the -- the typical fixed price purchase customer over the same period.

MR. HOWARD STEPHENS: I have it, sir.

MR. BOB PETERS: And is the Board correct

-- would the Board be correct in interpreting your answer to suggest that Centra's variable price reduced volatility more than the retailer's fixed price offering?

MR. HOWARD STEPHENS: I think that the general conclusion that we would draw from these charts is that there is not a substantial difference between our rate offering and a -- and the fixed price offerings, in terms of the reduction to volatility, because such a large proportion of the month to month variability between bills is due to the weather.

MR. BOB PETERS: All right. So maybe you've answered my next question then, Mr. Stephens, but with a fixed price offering compared to the variable, the only reason the volatility wouldn't be reduced by the fixed price offering would be the weather impacts on the bill?

MR. HOWARD STEPHENS: Yes, and I mean, the immediate or the intuitive reaction to this would be that if prices are -- weather is very cold and consumption is going up, the prices would climb. So our variable price would go up; it would be higher.

But there isn't necessarily a direct correlation between the in -- the market price at a particular point in time and the weath -- and the weather in Manitoba, simply because the price is derived from the

North American market.

MR. BOB PETERS: Is the volatility your measuring then, bill volatility?

MR. HOWARD STEPHENS: It's bill volatility. It's the fully loaded cost the customer sees based upon actual consumption, in these terms.

MR. BOB PETERS: And is that conclusion reached on an annual year to year volatility measurement, or is it over the term of the contract?

MR. HOWARD STEPHENS: It's based upon the term of the contract.

(BRIEF PAUSE)

MR. BOB PETERS: I want to turn -- and I'll come back to Centra's offerings, and some hedging issues -- but I want to turn to the equal payment plan.

Mr. Warden, in your evidence to Ms. Murphy yesterday, you indicated that Centra was not advocating the equal payment plan as a default option; do I have that correct?

MR. VINCE WARDEN: That's right, yes.

MR. BOB PETERS: What Centra wanted was the explicit consent of their consumers to take them off the variable monthly billing rate, to put them onto to an equal payment plan billing rate?

MR. VINCE WARDEN: Correct.

MR. BOB PETERS: Is the Board correct in it's understanding that the equal payment program is an effort to provide bill volatility for all twelve (12) months of the year?

MR. VINCE WARDEN: To reduce bill volatility, or to mitigate bill volatility, yes.

MR. BOB PETERS: And the way it's done is, there's an attempt to have a fixed rate for eleven (11) months, with the twelfth month being the -- the either catch up or refund month?

MR. VINCE WARDEN: A fixed bill, yes.

MR. BOB PETERS: Is it correct that the equal payment plan program starts in September of any given calendar year?

MR. VINCE WARDEN: Yes, that's the current plan.

MR. BOB PETERS: Does that suggest, Mr. Warden, that if a customer didn't sign up in September, they'd have to wait until the next September before they could sign up?

MR. LLOYD KUCZEK: I'll answer that. They could sign up anytime during the year. The only thing that we do do, is once May comes along, we suggest that -- or offer that they can sign up in September as opposed to May, because of the -- the difference in the equal payment amount that would be calculated for May. And there would be a dramatic change going into September. But we leave it up to the customer to decide.

MR. BOB PETERS: Thank you, Mr. Kuczek. You're telling the Board that consumers can opt in any month of the year, but the Corporation recommends that from -- between May and September they don't opt in, because their payment would be act -- would be higher then what it would be in actual terms?

MR. LLOYD KUCZEK: That's true. We just suggest that they start in September once we get into May.

MR. BOB PETERS: And when a customer is on the equal payment plan, that customer could be either a system supply customer or a retailer supplied customer?

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: And does the Corporation make adjustments to the equal payment plan amount throughout the year?

MR. LLOYD KUCZEK: Yes, if they are out by a significant amount or a certain amount.

MR. BOB PETERS: When you say "if they are out," what you are saying is that if the consumer is

-- is owing more than what they've paid for?

MR. LLOYD KUCZEK: If it looks like the equal payment plan amount that was calculated that -- or that they're put on is going to be substantially different than what they should have been on -- based on the actual bill, and that could be due to weather or some other reasons.

MR. BOB PETERS: Well, let's just understand what reasons that could be if. If the equal payment plan needs to be revised because the consumers aren't paying enough on their monthly equal payment, it would be because the weather was colder than what was anticipated when the annual amount was calculated; that's one (1) of the reasons?

MR. LLOYD KUCZEK: Colder or warmer. Another reason could be they're participating in our great Powersmart programs.

MR. BOB PETERS: How did that commercial get in there? But --

MR. LLOYD KUCZEK: That's the only I'm usually here.

MR. BOB PETERS: Well, all right. But the...

(BRIEF PAUSE)

MR. BOB PETERS: When -- when a customer goes on the equal payment plan is the assumption made that the weather will be normal, or is the assumption that they will pay for the same volume that they used the year before?

MR. LLOYD KUCZEK: That it would be normal weather. I should add that another reason could be because of price changes occurring as well, to the previous question.

MR. BOB PETERS: All right. I was going to come to that but in terms of weather, every year the rate is set on the assumption that the weather will be what the Corporation defines as normal weather?

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: And the volumes consumed are based on the actual volumes previously consumed by that individual house? Or do you do it by some formula or some typical residential home?

MR. LLOYD KUCZEK: By that house, the previous twelve (12) months.

MR. BOB PETERS: So there's individual calculations that are done?

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: And in addition to the volume changes, you've indicated that there could be a rate change throughout the year, and that would impact the amount that consumers would -- would pay on their equal payment plan?

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: And if they're on system supply gas that rate's going to change every three (3) months, correct?

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: And if they are on retail supply, that rate will change only when the contract expires?

MR. LLOYD KUCZEK: Contract expiring or a system customer signing up for -- with a retailer.

MR. BOB PETERS: All right. So the third or the last example you're suggesting to the Board is that if a -- if a customer leaves system supply and goes to a retailer, you may need to make an adjustment on their equal payment plan?

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: Up or down?

MR. LLOYD KUCZEK: Depends on the retailer's price, but based on experience it seems to be up.

(BRIEF PAUSE)

MR. BOB PETERS: Presently, Mr. Kuczek, are there prerequisites for consumers to enroll in the equal payment plan?

MR. LLOYD KUCZEK: The only one that I could think of is that the customer is not in arrears beyond sixty (60) days.

MR. BOB PETERS: Is it a dollar amount or is it a time in arrears?

MR. LLOYD KUCZEK: My understanding is it's time.

MR. BOB PETERS: And why don't you put people who are sixty (60) days or more in arrears on an equal payment plan?

MR. LLOYD KUCZEK: We have a different process that we use for customers that are in arrears beyond sixty (60) days. Prior to that it's a somewhat different process.

And I think the terms that I was informed of is we have friendly reminders on their bills, for example, and then beyond sixty (60) days, we take a little more -- we take a different process and strategy towards collecting the -- the bills.

MR. BOB PETERS: Do you see consumers that are sixty (60) days in arrears as having difficulty in making the payment, and they may need some help in levelizing their payments?

MR. LLOYD KUCZEK: Yeah, and our collections people deal with that. We -- we're quite accommodating in terms of making arrangements for customers, based on their particular situations.

MR. BOB PETERS: But you're not accommodating enough to put them on the equal payment plan if they're in arrears for sixty (60) days or more?

MR. LLOYD KUCZEK: No, but we put them on a plan that we -- that's agreed to between ourselves and the customer that is suitable. So it's not equivalent to the equal payment plan, but it's sort of a substitute, I guess Mr. Wiens might say.

MR. BOB PETERS: I think he told me about imperfect substitutes, but we'll -- we'll leave that, Mr. Kuczek.

The -- the plan that you put them on in terms of being individual, is it designed to get that consumer back on track in terms of keeping their current account -- or their -- their current month paid, and then working on the arrears?

MR. LLOYD KUCZEK: That's correct.

MR. BOB PETERS: But wouldn't that be a self-defeating cycle if this was in the winter months, where the bills were climbing and the ability to service that amount can't be met?

MR. LLOYD KUCZEK: Yes, but we take that into account when we make arrangements with the customer.

MR. BOB PETERS: So you may make arrangements where the customer doesn't have to fully pay the current amount owing, with the expectation they will pay it back over time.

MR. LLOYD KUCZEK: When we make arrangements, and depending on the amount owing -- and each case is -- case is different -- but we -- we try to make arrangements such that the customer can start to make payments and continue to receive service, but they have to be reasonable.

MR. BOB PETERS: Doesn't it intuitively make sense, Mr. Kuczek, that if a customer is struggling to make their payments, perhaps putting them on the equal payment plan would help resolve the problems, including rolling in some of the amount that is outstanding into the equal payment plan?

MR. LLOYD KUCZEK: No, actually I don't think so, because what you want to do is, you want the customer to recognize their current situation, and to start catching up on the amount owing. And that arrangement can be quite similar to an equal payment plan, where you -- you embed the amount and collect it over the next eight (8) months, or nine (9) months, which would be equivalent to what you're suggesting anyways on -- on an equal payment plan.

MR. BOB PETERS: But you're suggesting, in your answers to me, that you have to keep your current month fully paid, otherwise you keep falling further in arrears.

MR. LLOYD KUCZEK: Sorry about that. I -- I'm not sure that's exactly right, that you have to keep your current month in -- if you have to pay that amount. I suspect you do, but I'm not certain on that. I'd have to check.

MR. BOB PETERS: Well, my suggestion and -- and -- I'll give you a minute.

(BRIEF PAUSE)

MR. BOB PETERS: If there is a requirement to keep the current month paid and not go further in arrears, doesn't that put a person then on a -- a difficult cycle where they can't keep their current month, by getting further in arrears, or further away from the EPP option?

MR. LLOYD KUCZEK: I appreciate what you're saying, but I'd have to check to see how we deal with that, if it's in the -- the high winter months.

MR. BOB PETERS: All right. I guess the best I can do is ask you to undertake to -- to check that and let the Board know through your counsel how Centra responds to that.

And in your answer, Mr. Kuczek, you can consider comparing that to how it's being handled differently than what -- than if this consumer was allowed onto the equal payment plan when they are in arrears with the amount of their arrears being added to their equal payment plan total.

MR. LLOYD KUCZEK: I'll do that.

--- UNDERTAKING NO. 4: Centra to determine for Board whether those in arrears during the high winter months, must keep their current monthly bill paid. And also to compare how it's handled differently if this consumer is allowed into the equal payment plan when they are in arrears with the amount of their arrears being added to their equal payment plan total

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Mr. Kuczek, can -- can a gas customer go on the equal payment plan, but the electricity customer remain on the variable monthly amount?

MR. LLOYD KUCZEK: Yes.

MR. BOB PETERS: And the other way around, as well? A customer can have an equal payment plan for electricity but let the gas account float to what it actually is?

MR. LLOYD KUCZEK: Yes. We're quite flexible that way.

MR. BOB PETERS: Mr. Warden suggested to the Board yesterday that approximately 40 percent of the current customers are on the equal payment plan. Is that SGS customers?

MR. LLOYD KUCZEK: Yes.

MR. BOB PETERS: And that includes --

MR. LLOYD KUCZEK: SGS residential, sorry.

MR. BOB PETERS: Sorry. Is the equal payment plan offered to the SGS commercial or LGS commercial?

MR. LLOYD KUCZEK: SGS commercial for sure. I'm not sure about LG -- it is yes, I'm told.

(BRIEF PAUSE)

MR. BOB PETERS: Is that 40 percent number applied to system supply customers or to retail supplied customers?

MR. LLOYD KUCZEK: It's all of them. I believe the -- the specific number is 42 percent for system customers and 44 percent of broker customers. The average being somewhere slightly between there.

MR. BOB PETERS: If a customer is on the equal payment program, Mr. Kuczek, and then goes into arrears, do they get kicked off the equal payment program?

MR. LLOYD KUCZEK: The system kicks them off at -- at sixty (60) days, yes.

MR. BOB PETERS: Mr. Kuczek, have -- has the Corporation done any study to determine whether the arrears are lower per capita for EPP customers, compared to those who let their rates float monthly -- let their bills float monthly?

MR. LLOYD KUCZEK: I'm not aware of any but we -- I can check.

MR. BOB PETERS: Thank you. And if you could and if there's any appreciable difference between retail supplied customers and system supplied customers, could you also let us know that in your answer?

MS. MARLA MURPHY: I'm sorry. Could you just clarify what it is that we're checking? You're wanting to know if we've undertaken a study of whether or not there's a difference?

MR. BOB PETERS: I would like to know, Ms. Murphy, if the arrears are lower per capita for EPP customers compared to non EPP customers. And I want to know if there's any appreciable difference between the arrears being lower for system supply customers on EPP compared to those not on EPP. And also the same comparison of retail supplied customers who are on EPP compared to retail supplied customers who are not on EPP.

MS. MARLA MURPHY: Thank you.

MR. BOB PETERS: Thank you.

--- UNDERTAKING NO. 5: Centra to determine for Board if the arrears are lower per capita for EPP customers compared to non EPP customers. And determine if there's any appreciable difference between the arrears being lower for system supply customers on EPP compared to those not on EPP. And also the same comparison of retail supplied customers who are on EPP compared to retail supplied customers who are not on EPP

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Mr. Kuczek, as I understand the present arrangement, if a customer phones up Centra's call centre and indicates they want to become a new gas customer, one (1) of the questions put to them is whether or not they want to be on the equal payment plan.

Is that your understanding?

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: And customers are then given an option whether to be on it or not on it?

MR. LLOYD KUCZEK: Yes.

MR. BOB PETERS: And that only applies to new customers who are phoning in for service at that time?

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: How would that be different, sir, if the customer -- the new customer phoned up and were told that they're going to be on the equal payment plan unless they now tell the Corporation they don't want to be on it?

MR. LLOYD KUCZEK: It's -- it's just a -- the decision is still made by the customer. The only difference is, is instead of asking the customer in what we view as a positive manner that we offer this value added service, we would be suggesting that or assuming that that's -- that's what would be best for you, and then we'd be asking the customer if we'd like to take you off it.

So it's just a question of how you ask the customer. The -- the general thought is, is if you have a value added service you -- you ask the customer in a positive manner if they would like to go on it, as opposed to the other way around.

MR. BOB PETERS: Can it not be suggested, Mr. Kuczek, that you're now assuming that the customer's better off letting their bill float?

MR. LLOYD KUCZEK: That's actually in the consumers -- that's a consumer preference issue and so that the response to that depends on the customer. Some customers actually prefer to -- to pay monthly and not be on the plan, so.

MR. BOB PETERS: But I'm suggesting that those customers could then elect to go off of EPP, which would be the default system.

MR. LLOYD KUCZEK: That's true.

MR. BOB PETERS: But you also told me that you don't want to presuppose that the Corporation knows what's better for the customer?

MR. LLOYD KUCZEK: It's -- it's just a matter of how you -- how you offer it to the customer. At the end of the day I am saying that the customer decides. Our preference is, is to ask the customer if he would like to go onto the value added service that we're offering.

MR. BOB PETERS: I suppose, Mr. Kuczek, if it's a matter of how you ask the question, the question could be designed in a way that it could be asked in the positive?

MR. LLOYD KUCZEK: If we're ordered to -- to proceed with offering the EPP plan as the default offering we certainly will word it in the most positive manner that we could come up with.

MR. BOB PETERS: Mr. Kuczek, or perhaps Mr. Warden, are there any financial implications to the

Corporation if EPP was the default offering? I'll leave it open-ended before I get specific here.

MR. VINCE WARDEN: I don't have an immediate answer for that, Mr. Peters. I would have to look at what the implications would be of all customers being on EPP. The -- having September as the settlement month, however, or August as the settlement month, it's designed so that there is a relatively negligible benefit or cost to the Corporation.

So without studying that further I -- I would assume, if all customers were on equal payment plan the end result over the period of the year would be negligible.

MR. BOB PETERS: But even under a default system, Mr. Warden, not all customers would necessarily be on the equal payment plan because they might elect off of it, correct?

MR. VINCE WARDEN: That's correct.

MR. BOB PETERS: Would there be working capital implications by -- by having more customers on the equal payment plan than currently are?

MR. VINCE WARDEN: There would, month-to-month working implications, but over the term of the year I would expect that would average out to be close to neutral.

MR. BOB PETERS: You're not aware of any IT or Banner revisions that would need to be made if that was the case?

MR. VINCE WARDEN: No, there wouldn't be any significant Banner revisions that would have to be made.

MR. BOB PETERS: Mr. Warden, you've -- maybe just before I -- Mr. Chairman, I just want to tidy up one (1) issue before perhaps the morning recess, if I could?

Mr. Warden, you indicated that August was the true-up month. Did I understand that correctly?

MR. VINCE WARDEN: Yes.

MR. BOB PETERS: That's the month when consumers are -- are given their report card on whether they owe more than the equal payment amount, or less than the equal payment amount?

MR. VINCE WARDEN: Correct.

MR. BOB PETERS: And the bill for the twelfth month is still designed to collect the same amount as the other eleven (11) months, but there may be an addition to that or a subtraction to that?

MR. VINCE WARDEN: That's right.

MR. BOB PETERS: Am I correct factually, Mr. Warden, that in this current calendar year there have been some issues arising as a result of the settlement of the EPP accounts for retailer customers?

MR. VINCE WARDEN: Yes, there were some issues that did occur through a process -- a problem within -- within Manitoba Hydro that has since been corrected.

MR. BOB PETERS: Just for the Board's edification on that, Mr. Warden, the issue of which you speak only pertain to customers who are on retailer supplied gas?

MR. VINCE WARDEN: Yes. The issue basically was one (1) of contracts renewing at a higher rate than what was embedded in the EPP calculation, and that renewed -- higher priced contract as it renewed was not reflected in the EPP amount.

MR. BOB PETERS: Do you have an idea as to approximately how many customers were affected by that higher rate in the new contract?

MR. VINCE WARDEN: I -- I don't. I could get that information, though.

MR. BOB PETERS: An approximate number would be I think beneficial to the Board, unless Mr. Kuczek has it?

MR. LLOYD KUCZEK: Well, I'll try to clarify something maybe a bit.

I believe, Mr. Warden, it was some other customers possibly as well. What had happened was we had transferred responsibility from one (1) department to another department for looking at the reports this past year.

And so when we were supposed to review the reports in March, the system automatically updates and it makes adjustments to accounts that were between the 11 and the 40 percent. And those that were outside that range were supposed to be manually done. The staff that were currently responsible this past summer, assumed the system updated all of them, and so that didn't happen.

The issue, as Mr. Warden suggested, was more related to the broker accounts, and we had a number of customers that called us because of the substantial amounts owing in August.

MR. BOB PETERS: Do I take from that, Mr. Kuczek, that in addition to retail supplied customers, which was one subset Mr. Warden was telling us about, there was a second subset that would include system supplied customers?

MR. LLOYD KUCZEK: Yeah, it's just all customers, but basically in August we'll have a number of customers that will be out -- that will owe more then their equal payment amount during that month.

In this case there were -- the issue was more related to the broker -- some broker accounts specifically, 'cause of the complaints that we were...

MR. BOB PETERS: I'm not -- I'm not clear as to whether yours was an additional group of customers or the very same customers that Mr. Warden was talking about?

MR. LLOYD KUCZEK: Well, I'm not sure now what you're asking me.

MR. BOB PETERS: All right. Let me -- let me make sure the Board understands the situation. Whether a customer was system supplied or retail supplied, and their variance was outside of 40 percent, those accounts did not get manually adjusted?

MR. LLOYD KUCZEK: That's correct.

MR. BOB PETERS: And if they did not get manually adjusted they got a surprise in their August or September bill?

MR. LLOYD KUCZEK: Yes, you can characterize it as a surprise.

MR. BOB PETERS: And it would be -- it would be an unfavourable surprise. It would be one where they would owe more money then what -- as opposed to owing less than an equal payment amount?

MR. LLOYD KUCZEK: That's correct. And

just to give you an idea of the numbers; it's ten (10), eleven (11), fourteen thousand (14,000) approximately that were out by about 100 percent and greater. When I say 100 percent I mean double the amount.

MR. BOB PETERS: When you say double the amount, that's double the amount for the month or for the year?

MR. LLOYD KUCZEK: Double the amount -- if you owed a hundred dollars ($100) under your equal payment plan, that would mean you got a bill for two hundred dollars ($200).

MR. BOB PETERS: Two hundred dollars ($200) or more?

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: And those customers could be retail supplied customers or system supplied customers?

MR. LLOYD KUCZEK: That's correct.

MR. BOB PETERS: And I'm hearing from Mr. Warden that they're more likely -- more of them would be retailer supplied customers because their rates may have changed during that period of time, more then Centra's rates changed?

MR. LLOYD KUCZEK: Well actually, the issue became -- was more pronounced because of that.

Those were the -- we had -- those were the specific customers that we had contacting us. I shouldn't say just them, but certainly some of those customers contacted us, and it was raised as an issue.

MR. BOB PETERS: What steps has the Corporation taken to try to insure that doesn't happen next year?

MR. LLOYD KUCZEK: Staff responsible for the process are aware of what's going on, and they will certainly be following the steps that are supposed to be followed. Plus we're subsequently also meaning to see if we need to make some adjustments to the process, due to cust -- when customers sign up, or come off of supply with the retailers.

MR. BOB PETERS: What relief, if any, is being offered to the fourteen thousand (14,000) customers who have this, what I've termed "unfavourable surprise" of a higher gas bill than what they perhaps reasonably expected in the -- in the month of September.

MR. LLOYD KUCZEK: We're making payment arrangements. Again, they're individual, based on what the customer can accommodate, and we aren't charging interest on the surplus amount because of our error.

MR. BOB PETERS: Are you waiting for consumers to contact you, or is there some proactive contacting of the consumers, with respect to this problem?

MR. LLOYD KUCZEK: We did do some proactive contacting of customers.

MR. BOB PETERS: How was that done?

MR. LLOYD KUCZEK: By phone, I understand.

MR. BOB PETERS: All fourteen thousand (14,000) customers?

MR. LLOYD KUCZEK: No, it was the ones that had substantial amounts owing and I'm not sure of the amount. But we did do some phone calls.

MR. BOB PETERS: When you told the Board that customers could make payment arrangements that were in essence negotiated, is there a time limit on -- over what period of time those payments can be made?

MR. LLOYD KUCZEK: I'd have to check. I'm not an expert in the payment arrangements and how flexible we are there.

MR. BOB PETERS: Was there an opportunity to roll over the abnormally high settlement amount into next year's EPP total and recover it that way?

MR. LLOYD KUCZEK: I'd have to check.

MR. BOB PETERS: Can you confirm for the Board that consumers who are -- in this fourteen thousand (14,000) -- who are making arrangements to pay the abnormally high EPP settlement amount, are not having their credit rating or worthiness with Centra being adversely affected?

MR. LLOYD KUCZEK: I can check, but I'm fairly sure that that's the case.

MR. BOB PETERS: And they'd still be eligible for the EPP program going forward, even if this amount is in arrears?

MR. LLOYD KUCZEK: For certain.

(BRIEF PAUSE)

MR. BOB PETERS: Are you aware, Mr. Kuczek, as to whether notification of -- of these issues has been provided to the retailers whose customers are affected?

MR. LLOYD KUCZEK: We have had dialogue with the retailers on -- with regards to this issue.

MR. BOB PETERS: Mr. Chairman, this might be an appropriate time for the morning recess and I'll just check my notes, but plan to move on to a new area after the break.

THE CHAIRPERSON: Just first -- Mr. Kuczek, just to close this item in our thoughts, would you have cases in which the homeowner moved and sold their house during that period of time? What do you do then?

MR. LLOYD KUCZEK: The -- in terms of the equal payment plan?

THE CHAIRPERSON: In terms of this problem that you were describing.

MR. LLOYD KUCZEK: It -- it would be --

THE CHAIRPERSON: Oh, they true-up when they sold the house, that's fine.

MR. LLOYD KUCZEK: They may have. Again, it's individually based, and if there was a situation or they -- we -- we would accommodate the customer -- customer's situation.

THE CHAIRPERSON: Yeah, I understand. Okay. Thank you. We'll be back in 15 minutes.

--- Upon recessing at 10:30 a.m.

--- Upon Resuming at 10:50 a.m.

THE CHAIRPERSON: Okay, Mr. Peters.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Thank you, Mr. Chairman. Mr. Kuczek, I want to go back just briefly before I move on to discuss with you that EPP issue that we were talking about during the break, where there were some fourteen thousand (14,000) customers' bills affected.

And those were the only fourteen thousand (14,000) whose bills were 100 percent or more off of what they normally would have paid, correct?

MR. LLOYD KUCZEK: That's correct.

MR. BOB PETERS: And so is there a total number of customers that were affected by this lack of manual review or adjustment?

MR. LLOYD KUCZEK: Well, I'm not sure exactly how many would have been adjusted prior to that, so that's difficult to say, but I'm just telling you that it's approximately fourteen thousand (14,000) that ended up with an equal payment amount that was at least double what it would have been -- or relative to the equal payment amount that they were on.

MR. BOB PETERS: You don't know a total amount -- total number of customers?

MR. LLOYD KUCZEK: The fourteen thousand (14,000) is what I gave you. We had a report that basically provided us with percentage ranges that were out beyond, or above the equal payment amount.

MR. BOB PETERS: All right. Let me rephrase my question.

You indicated and I -- at least I

understood from your previous answer that the -- the problem that we're now talking about arose because of a failure for a manual review of certain accounts, is that correct?

MR. LLOYD KUCZEK: Yes, and there still might -- even if we had done that, there still might have been some accounts that were in -- in those ranges. But certainly it would have been less than what occurred this year.

MR. BOB PETERS: All right. But the manual review is to be done for accounts where the equal payment balance is more than 40 percent, more or less, than what the actual regular billed is?

MR. LLOYD KUCZEK: That's my understanding, yes.

MR. BOB PETERS: And if it was between 11 and 40 percent, your computers take care of that automatically?

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: You've got a -- you've got a model and you've got a program that will run -- that will keep customers relatively on track if they fall between 11 and 40 percent variance?

MR. LLOYD KUCZEK: That's my understanding.

MR. BOB PETERS: And so when I ask you how many customers were affected by the failure to use the manual review, you told me about those that exceeded a 100 percent variance, but you didn't tell me how many were between 40 percent and 100 percent.

MR. LLOYD KUCZEK: I'm sorry, can you ask that one more time? Mr. Wiens was talking to me at same --

MR. BOB PETERS: Certainly. Let me -- let me try to explain it this way. There are -- you've told the Board about approximately fourteen thousand customers (14,000) where their variation was 100 percent or more than what is billed under the EPP. Do you agree with that?

(BRIEF PAUSE)

MR. LLOYD KUCZEK: I'm just looking for the -- just bear with me one (1) sec. I'm going to have to correct that, I was looking at the wrong table.

For the gas -- for the gas accounts, the number that were over the 100 percent of the equal payment amount was -- was about ten thousand (10,000), ten thousand five hundred (10,500), not fourteen thousand (14,000).

MR. BOB PETERS: And how many customers were between 40 percent and 100 percent?

MR. LLOYD KUCZEK: I don't have that number. I -- I have the number that were between zero and 100 percent and that was twenty-three thousand (23,000).

MR. BOB PETERS: So if I do the math I can figure out the -- the difference then.

(BRIEF PAUSE)

MR. BOB PETERS: Mr. Kuczek, in your answer you now have corrected it and I appreciate that, and you said gas customers; do I take it that there are also some impacts on the electricity customers?

MR. LLOYD KUCZEK: That's correct.

MR. BOB PETERS: And you're telling the Board there are some electricity customers whose bills are also 100 percent or more off of the EPP amount?

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: Can you explain to the Board how that came about?

MS. MARLA MURPHY: I think, Mr. Peters, we've exceeded the -- the area that's relevant to the gas proceeding, in this case. I understand that the number was put on the record in error and it's good that the Board understands why that was, but I think we don't need to go into the -- the electricity side of this -- at this point.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Perhaps Ms. Murphy is correct. In terms I'm now aware -- thinking of a different hearing. but -- and that may be a matter the Board can pursue off-line as well.

Dealing with the gas customers, Mr. Kuczek, you don't have a breakdown as to how many of these ten thousand five hundred (10,500) customers were retail supplied as opposed to system supplied?

MR. LLOYD KUCZEK: No, I don't.

MR. BOB PETERS: Am I correct, Mr. Kuczek, that on the monthly bills that consumers get who are on the equal payment plan, there is, in my words, a running total or tally at the bottom as to how much they've paid and how much they owe, based on their consumption?

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: Were -- was that information erroneous on these ten thousand five hundred (10,500) bills?

MR. LLOYD KUCZEK: No, that information would have been provided to the customers.

MR. BOB PETERS: It would have been provided on a monthly basis; they would be able to check that?

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: Although if we put any weight on the focus group report, it's telling us that customers don't even look at that kind of detail on the bill. Is that your understanding?

MR. LLOYD KUCZEK: Certainly some customers don't, yes.

MR. BOB PETERS: And those are some of the customers you're hearing from now with their complaints?

MR. LLOYD KUCZEK: Yes.

MR. BOB PETERS: Did you hear from any customers who noticed that they were -- they were out of balance, and that they were suggesting that they should pay more along the way, the last few months?

MR. LLOYD KUCZEK: I -- I don't have that information.

MR. BOB PETERS: All right. I'd like to turn to the issue of hedging. And to start it off again, Mr. Warden, in your comments to Ms. Murphy yesterday, you indicated a preference for the Corporation to continue its hedging program as presently conducted; is that correct?

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

MR. BOB PETERS: And your primary reason for doing that is you were able to suggest to the Board that you reduce the volatility of the rates by having a hedging program?

MR. VINCE WARDEN: Yes. We've met our primary objective with the hedging program, which is to reduce volatility of rates.

MR. BOB PETERS: And I thought this may have been canvassed some -- some time ago, but reducing volatility through hedging is a given, is it not? Reducing the -- the rate volatility by hedging is a given; it will automatically happen, and it's just a question of how much.

MR. VINCE WARDEN: I'll accept that. Hedging will, by definition, fix rates into the future. So yes, it will reduce volatility.

MR. BOB PETERS: And how much volatility it reduces is again a function of the unpredictable market.

MR. VINCE WARDEN: True.

MR. BOB PETERS: Under Centra's current

hedging program, does Centra consider itself at risk?

MR. VINCE WARDEN: Centra is -- is not at risk; that is, financially we're not at risk. Under the present program, all costs -- additions to gas costs are passed onto -- onto consumers, ultimately.

MR. BOB PETERS: And reductions in gas costs, likewise, flow to consumers?

MR. VINCE WARDEN: That's right, yes.

MR. BOB PETERS: If Centra was at risk, you might have a different position with whether or not you wanted to hedge. Would that be fair?

MR. VINCE WARDEN: No, I don't think so. I think as we've indicated at previous cost of gas proceedings, the cost of the hedging program over the long term is essentially zero. One tenth (1/10th) of 1 percent, I believe, we -- we put on the record.

So our objective would still be in -- in the interests of customers to reduce rate volatility, and that -- and any risk that we would bear would still have that same objective.

MR. BOB PETERS: But Centra's not been prepared to bear any of the risk in the hedging program. Would that also be correct?

MR. VINCE WARDEN: Well, we -- as far as the bottom line is concerned of -- of Centra, it does not affect our net income. We certainly are accountable though, to this Board, for any actions we take with respect to -- to hedging.

MR. BOB PETERS: So the regulatory risk you run is not complying with the policy and the procedures. Is that your view?

MR. VINCE WARDEN: I would agree with that, yes.

MR. BOB PETERS: Other than that, Centra passes all of the risk onto the consumers, in terms of the price risk.

MR. VINCE WARDEN: We do, yes.

(BRIEF PAUSE)

MR. BOB PETERS: When asked why Centra wants to continue to hedge, I suggested the answer might be that your answer was that THE volatility has been reduced. And that -- is that your only -- only reason?

MR. VINCE WARDEN: The objective of the program is to reduce volatility, yes.

MR. BOB PETERS: Do you have consumers who are asking you to hedge?

MR. VINCE WARDEN: Well, do -- customers come to Centra and ask us directly to hedge, no. But I think we, with every quarterly rate change, we provide information to customers of -- of -- that the fact that we are hedging. And we don't have customers telling us they oppose hedging.

MR. BOB PETERS: Would it be correct that the information provided by eNRG Research Group is that very few of your customers know that you use hedging as a volatility reduction methodology?

MR. VINCE WARDEN: Yes.

MR. BOB PETERS: And even fewer of those are -- of the very few that know that there is even hedging going on, only a few of those indicate that it's a good idea?

MR. VINCE WARDEN: No, I don't think that's the conclusion. I think once customers were explained to -- or the focus groups were explained what hedging is, they supported hedging.

MR. BOB PETERS: You would agree with me, Mr. Warden, that the customers' views on that, if they didn't know about hedging in the first place, their information would come from what was asked by the -- by the questions?

MR. VINCE WARDEN: Yes.

MR. BOB PETERS: And if those questions didn't tell them the track record of the Company, that may be information that would have influenced the consumer in another way?

MR. VINCE WARDEN: Possibly.

(BRIEF PAUSE)

MR. BOB PETERS: Can you quantify to the Board what internal costs Centra incurs to conduct, to supervise and to manage the hedging program?

(BRIEF PAUSE)

MR. VINCE WARDEN: We -- we don't have a precise number for you, Mr. Peters. It is -- the hedging program is administered by the existing staff of -- of our gas supply division. It would be something -- now that the program is established it -- it functions quite mechanistically, and therefore the -- the cost I think would be less than a hundred thousand dollars ($100,000) per year.

MR. BOB PETERS: Put another way, Mr. Warden, if Centra was to discontinue its hedging, the savings to Centra's consumers would only be in the magnitude of a hundred thousand dollars ($100,000) a year?

MR. VINCE WARDEN: Yes.

MR. BOB PETERS: In your answer to Ms. Murphy, Mr. Warden, you suggested that you would want to continue with hedging and bring any changes to the hedging program before the Board, for review and approval. Did I understand that correctly?

MR. VINCE WARDEN: Yes.

MR. BOB PETERS: Did you have any particular changes in mind when you said that?

MR. VINCE WARDEN: Not particularly. We have gone through a period that -- in which gas prices have -- have dropped significantly. And any experience like that is a -- is a learning experience. To the extent that that will effect what we do in the future though, I don't have anything to bring before the Board at this time.

MR. BOB PETERS: Mr. Warden, at Tab 11 of the book of documents that I circulated, is a copy of an Information Request, PUB/CENTRA number 20 and it provides a table reflecting the impact on gas costs for each fiscal year since Centra began their -- their hedging.

Have you located that?

MR. VINCE WARDEN: Yes.

MR. BOB PETERS: First of all, on line 8 there's an April '07 to May '07 time period with a $2 million addition to gas costs reflected?

MR. VINCE WARDEN: Correct.

MR. BOB PETERS: And that $2 million was settled and had the effect of actually increasing gas costs?

MR. VINCE WARDEN: That's right.

MR. BOB PETERS: And that number is no longer current, is it?

MR. VINCE WARDEN: That number is current, however there are subsequent months that could be added.

MR. BOB PETERS: Good answer. If that number was to be updated for the current fiscal year, what would be the impact on gas costs, to date, for consumers?

(BRIEF PAUSE)

MR. VINCE WARDEN: The most recent number we have, Mr. Peters, for the current fiscal year is, in addition to gas cost of $14.7 million, so that would include the -- the $2.1 million that's referenced in this -- in PUB/CENTRA-20.

MR. BOB PETERS: That $14 million figure, Mr. Warden, would be settled already, and that's a -- for certain costs that has been added to primary gas for consumers?

MR. VINCE WARDEN: That's right.

MR. BOB PETERS: In addition to that, there would be mark-to-market exposure for the balance of your hedge positions; that would be correct?

MR. VINCE WARDEN: That's correct.

MR. BOB PETERS: And that mark-to-market position fluctuates daily, I'm told by this panel this morning, and so you're not putting a lot of stock in whatever the mark-to-market would say? Would that be fair?

MR. VINCE WARDEN: Well, it's something we monitor very closely every day, but -- but it can change. It can change dramatically over that -- by the time those contracts settle, yes.

MR. BOB PETERS: I recall at the last cost of gas hearing, the panel being able to tell the Board with some probability analysis, of where the fiscal year might settle out. Do you recall that?

MR. VINCE WARDEN: I recall the discussion. I don't recall the number, though.

MR. BOB PETERS: Well, the number was not for this current '07/'08 fiscal year, but I recall it being for the -- for the gas year that just passed.

Is there a probability that you can provide the Board with, or a range within the probabilities of what consumers can expect on their primary gas costs for this fiscal year?

MR. VINCE WARDEN: Yes. We could do that.

MR. BOB PETERS: And I'm -- I don't know that that's -- I'm not looking to make work on that, Mr. Warden, but I -- I did think that that was something that the gas supply department had -- had relatively available.

MR. VINCE WARDEN: Well, we do it more on the -- for the purposes of looking at our maximum exposure. So it's -- we extend it out to two (2) standard deviations away from the mean and to see what -- what the ultimate exposure would be, but we can do the calculations of it, to a lesser extent.

MR. BOB PETERS: Thank you. Rather than wait for that probability analysis, which will be perhaps higher -- more highly reliable, Mr. Stephens, do you have a current mark-to-market impact for the balance of your fiscal year?

MR. HOWARD STEPHENS: Well, including outstanding positions?

MR. BOB PETERS: Yes, including

outstanding positions.

MR. HOWARD STEPHENS: The last number that I saw was in the order of $45 million.

MR. BOB PETERS: Before that gets written down in ink, Mr. Stephens, that $45 million of additional gas costs, that's what you're referring to?

MR. HOWARD STEPHENS: That's correct.

MR. BOB PETERS: And it could -- it could conceivably be $45 million of lower gas costs by the time the year is over.

MR. HOWARD STEPHENS: Certainly.

MR. BOB PETERS: But there's a probability level to that, and you're gonna come back and tell us where that will fit in?

MR. HOWARD STEPHENS: Yeah, I mean it's based upon statics -- statistical analysis. I get a twitch whenever I say that. And I mean, it should be given the -- I mean, the appropriate weight.

MR. BOB PETERS: Does that $14 -- sorry, does that $45 million embed the $14.7 million, Mr. Stephens?

MR. HOWARD STEPHENS: Yes. It's -- it includes all the settled positions, plus those that are outstanding and their current -- current mark-to-market.

MR. BOB PETERS: Mr. Stephens, the Board

has through its prior hearings, talked at length with you about a hedged product and what you're offering. I'd like to turn your attention to perhaps explaining to the Board what an unhedged primary gas product would look like, or could look like, from -- from Centra.

Would it -- would it be fair to say it would look just like it does in Alberta?

(BRIEF PAUSE)

MR. HOWARD STEPHENS: The situation in Alberta is so much different than here that it would be hard for me to draw a comparison. But in terms of how -- I mean, an unhedged product in Manitoba would look, I guess it depends on the duration and the mechanisms that we would use in terms of trying to mitigate volatility for our customers without the use of derivative instruments.

It would -- there are any one (1) of a number of scenarios. And if you're talking simply no involvement with it spe -- relative to our physical contract, that we would just buy the gas based upon the monthly index and pay the physical price dictated by the physical contract, we could see some tremendous swings.

MR. BOB PETERS: Do I take from that

answer, Mr. Stephens, that if you were required to go to an unhedged product you would still want to try to put some -- some volatility management tools on that product?

MR. HOWARD STEPHENS: I think our customers have indicated to us that they do want us to manage volatility; and not necessarily at the pricing level, I mean, but in terms of their billing levels. And so from that perspective we would endeavour to do so.

MR. BOB PETERS: I don't want to go backwards in these questions, Mr. Stephens. But in terms of volatility management of the bill, we've just finished talking about equal payment plan, and that there's no more efficient volatility management tool of the bill than that, is there?

MR. HOWARD STEPHENS: No, that actually is -- I mean it takes all the weather variability at which can far exceed the actual price variability at times, and so from that perspective it's the ideal tool for managing bill volatility.

MR. BOB PETERS: And in terms of other volatility tools that could possibly be considered if hedging wasn't one (1) of those, would be what percent increase to pass on to consumers when the rates were set; that is whether you would go to 100 percent adjustment of current market prices or 50 percent.

MR. HOWARD STEPHENS: Well, it could anywhere from zero to 100 percent, and we could develop -- I mean right off the top of my head -- a reserve fund and decide what we want to put -- pass through in terms of rate increases. But I mean, now we're talking real disconnects between what's actually happening in the marketplace and what we're selling the gas for.

MR. BOB PETERS: But those disconnects are Centra's tools to manage the volatility?

MR. HOWARD STEPHENS: When you try to manage the volatility and you pay other than market price there are going to be disconnects, yes.

MR. BOB PETERS: If there was an unhedged product as a default offering of the Utility, Mr. Stephens, would the Company see the changing of that rate monthly more advantageous than changing -- changing it quarterly?

MR. HOWARD STEPHENS: I don't...

(BRIEF PAUSE)

MR. VINCE WARDEN: In, Mr. Peters, in -- in terms of avoiding a buildup of a deferred account, a monthly change would accomplish that. Would it be acceptable to customers to have their monthly amount, their rate change every month? I suspect not.

MR. BOB PETERS: And does that answer apply, Mr. Warden, if the offset is, if you don't want your bill to change monthly you could subscribe for an equal payment plan?

MR. VINCE WARDEN: You could, but the underlying price of course, is ultimately that customer's going to have to settle on the equal payment plan. And if -- if gas prices are highly volatile which they are, then we could be, with the equal payment plan, chasing the price throughout the year.

MR. BOB PETERS: But, Mr. Warden, under the current equal payment plan consumers are paying more than if Centra had not done hedging already, are they not?

MR. VINCE WARDEN: No, I don't -- I don't think I could -- maybe could -- could you restate that question perhaps?

MR. BOB PETERS: In the Company's fiscal '06/'07 year, primary gas was $73 million dollars more then if the Company did not hedge. We agree on that?

MR. VINCE WARDEN: Yes, correct.

MR. BOB PETERS: So the equal payment plan adjustments for customers had to incorporate that $73 million dollars of additional costs, did it not?

MR. VINCE WARDEN: Fair.

MR. BOB PETERS: And so you're suggesting to me, that if customers had a default product that was not hedged and those customers were on equal payment plan, they may have a -- have to answer a reconciliation month that would be a significant unfortunate surprise?

MR. VINCE WARDEN: Well, the hedging though -- the whole purpose of hedging is to reduce volatility in rates, which it does. If we didn't have a hedging program, then that vol -- volatility would be significantly -- and greater than it is. And therefore the equal payment plan would be a re -- trying to reconcile with a -- with a much more volatile price, and the equal payment plan probably wouldn't be as efficient, in that regard.

MR. LLOYD KUCZEK: Mr. Peters, maybe I can add a bit to that too, because I'm not sure how effective the equal payment plan would be, in terms of meeting customers needs, if we were using the equal payment plan in conjunction with a monthly -- a product that was offering monthly adjustments to their prices.

If the prices didn't change much during the year, then the equal payment plan would effectively work the way it is today. But if we had a -- a -- price adjustments, and there were substantial changes throughout the course of the year, we might have to make a number of adjustments to the equal payment plan for many customers.

And then therefore, effectively it wouldn't be an equal payment plan for a year. It would be an equal payment plan for only three (3) months or four (4) months, and then it would be adjusted every three (3) or four (4) months. So I'm not sure that would meet the customer's needs, but that would have to be considered as well.

MR. BOB PETERS: I'm missing -- I'm missing the point, and I hope I'm not belabouring it at the expense of the Board.

But let's go back to fiscal '06/'07. Your equal payment plan for customers -- and let's not talk about the ten thousand five hundred (10,500), but let's just talk in general concepts -- their equal payment plan at the end of the day, they'd paid $73 million dollars more then they would have had there been no hedging. We agree on that?

MR. VINCE WARDEN: Ultimately that $73 million dollars is included in rates. However the -- the impact of that $73 million dollars was to stabilize rates, so the rates would not be changing as muc -- as much as they otherwise would.

In this particular year the rates would have gone down more then they would have gone up. But nevertheless, in the absence of that hedging there would be extreme volatility in -- in rates, and therefore the equal payment plan would not be equal throughout the year. It would have to be more -- changed several times throughout the year, in order to follow that price downward.

MR. BOB PETERS: Do your customers object to their rates and their bills dropping downward?

MR. VINCE WARDEN: No, but they do upward, and as we've seen in the past, we've certainly had that circumstance.

MR. HOWARD STEPHENS: I guess that's the risk, Mr. Peters, is if you go to a purely variable price, I mean, you can see some tremendous PGVA balances that has to be -- have to be disposed over some period of time, and I think customers would find that very objectionable.

MR. BOB PETERS: Well let me -- let me -- let me try it from this perspective. If I'm a typical residential consumer, approximately how much is my annual gas bill currently projected to be? Give me a number.

MR. LLOYD KUCZEK: For the survey we used twelve hundred and sixty dollars ($1,260).

MR. BOB PETERS: All right. Let's us twelve hundred dollars ($1,200), a hundred dollars ($100) a month, okay?

MR. LLOYD KUCZEK: Okay.

MR. BOB PETERS: And, Mr. Kuczek, your equal payment plan would come in at a hundred dollars ($100) a month for this typical residential customer, correct?

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: And that hundred dollars ($100) a month would be effected by the actual rates you paid to your long term gas supplier, and charged through in the -- in the consumer's rates, correct?

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: And those --

MR. VINCE WARDEN: Sorry to interrupt, Mr. Peters.

MR. BOB PETERS: Yes.

MR. VINCE WARDEN: But plus the effects of hedging; that would have to be included in there as well.

MR. BOB PETERS: And the hedging may add to that as well, correct?

(BRIEF PAUSE)

MR. BOB PETERS: And in fiscal -- in fiscal '06/'07, the hedging added to my -- to this hypothetical typical residential consumers gas account, correct?

MR. LLOYD KUCZEK: That's my understanding.

MR. BOB PETERS: All right. And so, when you're on equal payment plan you know at the starting line you're relatively all at zero, and you know at the finish line you're going to end up paying for your year's consumption. Isn't that correct?

MR. HOWARD STEPHENS: You're going to pay for your consumption based on the actual rates that flow out of our existing methodology for establishing rates.

MR. BOB PETERS: Okay. And along the way, the rates currently are going to change every three (3) months, correct?

MR. HOWARD STEPHENS: That's correct.

MR. BOB PETERS: And they may change wildly on those every quarterly changes, or they may be mild changes every quarterly.

MR. HOWARD STEPHENS: No. I -- I wouldn't characterize those changes quarterly as potentially wildly, although that's a very subjective term. We -- because we do mitigate the impact of the change by taking it and amortizing it over the twelve (12) months. And as that -- as a result of that it tends to smooth the rate.

And that was the whole full intention of the rate management program.

MR. BOB PETERS: I think the point and I know we're drilling down here to some depth but the -- the $73 million figure that we're talking about for fiscal '07, is calculated as a year-end result?

MR. HOWARD STEPHENS: That's correct.

MR. BOB PETERS: And where it arose during the fiscal year would depend on what the market rate was and what the rate was billed to consumers?

MR. HOWARD STEPHENS: That's correct.

MR. BOB PETERS: And so at some point in the twelve (12) month period, there was cumulatively $73 million more of primary gas costs added into your rates that were charged to consumers?

MR. HOWARD STEPHENS: We incurred it -- $73 million more for gas costs than we have anticipated.

MR. BOB PETERS: Would the rates have been less volatile if that $73 million was excluded?

MR. HOWARD STEPHENS: No. I think you have to look at this in terms of -- when the numbers -- these numbers get big, regardless of whether they've brackets around them or whether they're positive or negative numbers, it's giving an indication that the hedging program is doing exactly what it's supposed to do.

It's taking the spikes, either upward or downward, out of the price, so that you're managing price within a certain bandwidth.

MR. BOB PETERS: But if we just focus on the volatility, Mr. Stephens, what happens quarterly or monthly in terms of volatility, will net out the same at the end of the year for the consumer.

MS. MARLA MURPHY: Are you asking about the difference in changing the rate quarterly and monthly?

MR. HOWARD STEPHENS: I'm not clear on your question, sir.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Fair enough. If...

MR. HOWARD STEPHENS: At the end of the day, Mr. Peters, the customer will pay -- will pay the market price, plus the cost of the dealer margin. And -- I mean, it may take some time before they get it paid because we defer some of the costs with the rate setting methodology, but ultimately the customer will pay market value.

MR. BOB PETERS: How much of that $73 million of additional cost in fiscal '07 has been deferred by the PGVA into '08?

(BRIEF PAUSE)

MR. HOWARD STEPHENS: Bear with me for a second, Mr. Peters.

(BRIEF PAUSE)

MR. HOWARD STEPHENS: I now am enlightened, Mr. Peters.

MR. BOB PETERS: Enlighten us all then.

MR. HOWARD STEPHENS: Just simply is a result of the mechanism that we use, the rate setting methodology, and the fact that we do clear that PGVA balance over the course of a -- a rolling twelve (12) month period, as -- as a result of our quarterly rate changes, the majority of the PGVA balance has already been shed. And as I understand it the existing PGVA balances are very small.

But having said that; theoretically, that -- that $73 million could have all been incurred in the last quarter of the fiscal year, and if that was the case that would be amortized over the subsequent twelve (12) months.

MR. BOB PETERS: Thank you for that. I have -- I have your point on that, Mr. Warden.

Mr. Stephens, back to you, just a point of clarification. When you told me the current mark-to-market natural gas costs for the current fiscal year, I think you said 45 million?

MR. HOWARD STEPHENS: Approximately, sir.

MR. BOB PETERS: And that 45 million includes the 14.7 million in it; so it's not 60 million, it's 45 million?

MR. HOWARD STEPHENS: That's correct.

MR. BOB PETERS: Can you tell the Board whether that amount would be less or more, if the spread between the upper and lower bands of the costless cashless collars had -- had not been widened?

MR. HOWARD STEPHENS: Most of the positions that we're talking about right now weren't included -- I mean, didn't get the benefit of the change, so it'll be future transactions that we've done --

MR. BOB PETERS: And --

MR. HOWARD STEPHENS: -- that will get the benefit of the wider bandwidth on the collars.

MR. BOB PETERS: The -- the benefit that you talk about is in a falling market? The price will be allowed to fall further --

MR. HOWARD STEPHENS: I think --

MR. BOB PETERS: -- and that will be to the benefit of consumers, as opposed to having a narrower band in that falling market?

MR. HOWARD STEPHENS: I guess -- I mean, I could split hairs with you, sir, but I'll take -- take that as a "yes."

MR. BOB PETERS: Your -- your direct answer to me, Mr. Stephens, was that the widening of the bandwidth hasn't yet paid dividends, or -- is that what you're saying?

MR. HOWARD STEPHENS: That's correct.

MR. BOB PETERS: Is it your expectation that it will pay dividends, or will it add costs?

MR. HOWARD STEPHENS: Well, I'd have to be a soothsayer to be able to tell you whether or not we're going to, I mean, make money or lose money. But obviously, given the fact that the bandwidth is wider, I mean well, the upper and lower bounds will be triggered far less frequently. So our PGVA balances should be much smaller, but with a corresponding impact on volatility.

MR. BOB PETERS: And I may have asked the question improperly, but I -- I wanted to suggesting that by widening the band, the afforded protection is on the downside? There'd be more downside opportunity?

MR. HOWARD STEPHENS: Well, certainly there will be more downside opportunity, but there will be also more upside opportunity. I mean, we will -- we -- I mean customers will be exposed to more upside and they will also get the benefit of participating in the downside. And on the day that we transact the probability of occurrence, with respect to either circumstance, is precisely equal.

MR. BOB PETERS: Because that's how you set the cashless collar?

MR. HOWARD STEPHENS: Correct.

MR. BOB PETERS: Mr. Stephens, to help focus the Board on our previous discussion I'd like to ask for this undertaking and maybe you and your counsel can discuss it over lunch hour and see if it's a reasonable request before you jump at the opportunity.

But could you file with the Board a chart or a table or perhaps both, that shows what Centra's quarterly rate would be if the Company did not enter into hedges over the last, say, five (5) years; and also show the PGVA balance throughout and compare that to where the actual rates have been?

MR. HOWARD STEPHENS: Part A, I think we can certainly do. Part B may be a little more difficult.

MR. BOB PETERS: All right. I want you to assume that the other elements of the rate setting methodology stay the same and, you know, as Mr. Warden has said, that PGVA balance is cleared over twelve (12) months. And I know there was a Board order as to changes to the RSM but you can assume that occurred just as it did, to keep those variables minimal.

But can you think about that?

MR. HOWARD STEPHENS: So you're -- you're just saying all other variables would be the same, except that we wouldn't be hedging?

MR. BOB PETERS: Correct.

MR. HOWARD STEPHENS: Fair enough.

MS. MARLA MURPHY: We'll take your invitation to take that under advisement and get back to you.

MR. BOB PETERS: I -- I suggest you -- I thought you might, Ms. Murphy, but I -- I want you to determine if that's a reasonable request.

--- UNDERTAKING NO. 6: File with the Board a chart or a table or both that shows what Centra's quarterly rate would be if the Company did not enter into hedges over the last five (5) years and also show the PGVA balance throughout and compare that to where the actual rates have been

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: One (1) of the -- one (1) of the points that the Board will note in the rebuttal evidence of Centra, is that the default supply should not be designed to increase volatility?

MR. HOWARD STEPHENS: We have gone to a lot of time and effort and discussion with the Board and many stakeholders to develop a one-size-fits-all rate setting methodology, and from my perspective, it serves customers well. I think our evidence deals with that quite effectively, and I would want -- not want to see us put into a position where we had a default offering that was not a viable alternative for customers.

MR. BOB PETERS: In your answer, Mr. Stephens, if the -- you -- you'd acknowledge that the natural effect of discontinuing hedging would be to increase rate volatility to consumers.

MR. HOWARD STEPHENS: Certainly the price volatility we experience will increase. As to whether the rate volatility will increase is another issue, but I mean, the likelihood is very -- is pretty good.

MR. BOB PETERS: That intuitively follows that if hedging, by its very nature, reduces volabil -- volatility, stopping hedging will increase volatility.

MR. HOWARD STEPHENS: Yes. I guess -- all I'm getting at is that there are other ways to deal with the volatility, but they're not as effective as the hedging program.

Mr. Peters, we don't hedge because we have any particular affinity to it. I mean, it's -- it's something that we do because we feel that it's appropriate to satisfy our customer's requirements. And I know we've had endless debates between -- well, since I've been involved in this, and -- and it is a very controversial issue.

And -- but we -- we have come to the conclusion that there is a certain amount of hedging that is necessary to provide the appropriate combination of market transparency and volatility management. And, so, from that perspective, and that is where I come from with respect to our -- what our primary service offerings should look like.

MR. BOB PETERS: And do you feel it's helpful to customers to hedge, Mr. Stephens, even though the customers for whom you're doing it don't know that you're hedging for them?

MR. HOWARD STEPHENS: I -- all I can gather on the basis of our quarterly adjustments is that there is not a great public outcry. Certainly customers are seeing rate changes, but I mean as the market research showed, people don't literally attend to rate changes, and they're obviously not overly concerned in -- with respect to the change in their bills. So from that perspective, I think it's relatively successful.

MS. MARLA MURPHY: I'm sorry to interrupt. Just for a moment, Mr. Chairman, if I could ask your indulgence.

Mr. Warden has been called away, and I'm wondering if you could excuse him from the panel for the next little bit.

THE CHAIRPERSON: Of course.

MR. LLOYD KUCZEK: Mr. Peters, if I can add to that. The market research does indicate that customers are not that aware of our hedging practices and rate setting methodologies. But when we do do market research and we educate them of what we are doing now, the indications are that customers -- more customers than not think that the product that we're offering and the end result is -- is a positive thing.

CONTINUATION BY MR. BOB PETERS

MR. BOB PETERS: Mr. Stephens, you could continue with your hedging program, but change your rates monthly. Isn't that correct?

MR. HOWARD STEPHENS: Well, we can do any one of a variety of things, Mr. Peters.

MR. BOB PETERS: I suppose if the Board would let you, would be the better way to say that, but -- but just -- just so we're clear, when you talked before about when you change the rates quarterly, you don't get -- you don't get a human outcry from your customers, you could still continue to hedge, but have your rates change on a monthly basis, correct?

MR. HOWARD STEPHENS: Yes, but I mean that is part and parcel of the considerations that we went through in terms of developing the rate setting methodology, and we wanted to -- I mean we looked at very frequent rate changes. You could change rates every day based upon daily indexes, or we could have left it at the then existing program where we changed our rates once a year.

And you had not only huge market

differences in terms of price as compared to what you build into your budget, but then you would also have a deferral account that you have to recoup the money from, which had a doubling effect in terms of the price that -- or the rates that the customers were exposed to.

We found the later totally unacceptable, so we tried to find a middle ground that would satisfy the customer's concerns -- assumed concerns, and somewhat verified concerns, I guess, that would deal with those issues.

MR. BOB PETERS: Mr. Stephens, you conduct Centra's hedging program on the assumption that the market in which you are hedging is a -- is a fully liquid and well functioning competitive market?

MR. HOWARD STEPHENS: Yes.

MR. BOB PETERS: That has to be underpinning any hedging program to minimize your risk, correct?

MR. HOWARD STEPHENS: Certainly.

MR. BOB PETERS: Does Centra have any concerns with the recent reports that have followed where Amaranth's trading practices may have been such that they manipulated the market or affected the market?

MR. HOWARD STEPHENS: Well, certainly anytime -- I mean there's -- how will I characterize it -

- some unsavoury activity within the commodities market. I mean it's cause for concern but, I mean, there are strict and stringent rules with respect to this and the FERC has looked at this. So I think the risks associated with that are relatively minor.

MR. BOB PETERS: Has Centra done any detailed analysis as to what impact Amaranth's activities may have had on Centra's hedging in the market?

MR. HOWARD STEPHENS: Well, I'd have to make assumptions as to what the market would have done absent of the Amaranth incident. So, I mean, I have no way of knowing what that would be. So for my -- for me to provide that kind of analysis is virtually impossible.

We had no outstanding positions with them. So from that perspective, more very limited perspective. it had no impact.

MR. BOB PETERS: When you say you had no outstanding positions with them, they weren't a counterpart in any transactions you were involved in?

MR. HOWARD STEPHENS: That's correct.

MR. BOB PETERS: Do you have knowledge as to whether any of the six (6) or seven (7) counter parties you do have were affected by Amaranth's activities?

MR. HOWARD STEPHENS: Well, I think

everybody will likely be impacted by Amaranth's activities, but to what extent any other counter parties impacted, I -- I don't know certainly because, I mean, their transactions on what they do is certainly very confidential.

And from that perspective, even if you could calculate the amounts, I mean, I don't know who's transacting with them and who's not.

MR. BOB PETERS: Maybe let me ask it this way, Mr. Stephens. Did any of that $73 million of additional gas costs in fiscal '07 arise as a result of Amaranth's activities on the market?

MR. HOWARD STEPHENS: And I would say, sir, it would be almost impossible for me to say.

MR. BOB PETERS: In terms of the fines that have been levied against Amaranth, do you know if there's any opportunity for gas suppliers to claim against that or other parties to claim against that -- that fund?

MR. HOWARD STEPHENS: As I understand it, I mean, the FERC is dealing with the issue and is investigating thoroughly. So from that perspective, there will be penalties assessed and the legal system will pursue -- I mean will pursue the appropriate avenues.

In terms of class action suit or something, it would be very difficult to go again to the courts and demonstrate some damage because it's very hard to say what the -- the outcome of the marketplace would have been absent that activity.

MR. BOB PETERS: But it is clear that the market wasn't being driven at that time by -- by only supply and demand factors. There were other issues at play.

MR. HOWARD STEPHENS: Well I'd suggest that that occurs every day.

MR. BOB PETERS: How do you suggest that?

MR. HOWARD STEPHENS: Well there are speculators in the marketplace. So they are not necessarily -- I mean, yes, they have a demand. But I mean it may be a demand that's based simply upon their particular trading strategy.

MR. BOB PETERS: You're not drawing a de -- I'm sorry, go ahead.

MR. HOWARD STEPHENS: Sorry, Mr. Peters, go ahead.

MR. BOB PETERS: Well, two (2) points. When you talk about speculation, you're not suggesting that's what Amaranth was up to when there's a finding that they were manipulating the market?

MR. HOWARD STEPHENS: I -- I'm not making any comments with respect to what Amaranth was up to, but there are speculators in the marketplace; it's well known, I mean, and they serve a purpose within the marketplace.

MR. BOB PETERS: You also said that there may be class action litigation down the road against Amaranth. Is that correct?

MR. HOWARD STEPHENS: I said it's -- there could be a potential for that.

MR. BOB PETERS: Has Centra Gas or Manitoba Hydro determined whether they would be part of any such class actions?

MR. HOWARD STEPHENS: Certainly I don't think that we would initiate any because I don't know how we would build the case. Maybe I'll leave it to Ms. Murphy to elaborate more on that because we would have to identify damages, and you'd have to quantify the damages. And, as I indicated before, it's almost impossible for me to determine what the market would have done absent the activities of Amaranth.

MR. BOB PETERS: All right, we'll -- we'll leave it at that. One of the -- one of the other points in rebuttal, Mr. Stephens, was a suggestion made, I believe, by Direct Energy and Energy Savings, that the transportation rate be included with the primary gas rate. Is that your understanding of one (1) of their suggestions?

MR. GREG BARNLUND: I understand that assertion they made.

MR. BOB PETERS: And to end the suspense, Centra is not enamoured with that suggestion, and you don't think that's appropriate.

MR. GREG BARNLUND: No, we don't think it's appropriate. It's inconsistent with the way that we provide service to brokers and customers. And it's inconsistent with the rate design that -- that we're -- that we use.

MR. BOB PETERS: Well, let's deal with the first part of that in terms of how you provide service to brokers. Why is it inconsistent with how you provide service to brokers?

MR. GREG BARNLUND: They deliver their gas to us at the Alberta border. We receive that gas and utilize our upstream assets to transport that gas, store it, and eventually deliver it -- be delivered to the Manitoba market.

Those exact same assets and that exact same process is used for system supply. And our rates are established to reflect that, so that the transportation is recovered from all customers through their transportation to centre rate, and it's not mixed in with the primary gas rate, it's not mixed in with the commodity at all in that regard. So it's a -- it's correct in terms of how it's reflecting how we receive gas from brokers and from our system supplier, and ultimately put that to our customers.

MR. BOB PETERS: But the transportation rate to the retailers' customers would be the same as the transportation rate to the system supply customers?

MR. GREG BARNLUND: Yes, it would.

MR. BOB PETERS: And it currently is?

MR. GREG BARNLUND: Yes, it is.

(BRIEF PAUSE)

MR. BOB PETERS: T-Service isn't presently -- or transportation service isn't a competitively available service right now for the residential customers?

MR. GREG BARNLUND: It's not available to residential customers at this point in time, no.

MR. BOB PETERS: And there's no plans to make it available, that you're aware of?

MR. GREG BARNLUND: Not -- not at this

time.

MR. BOB PETERS: You talked about the bill. The bill is presently unbundled into -- into five (5) components. There is no compata -- competition for the supplemental gas, the transportation or the distribution or the basic monthly charge, correct?

MR. GREG BARNLUND: For residential customers, that is correct.

MR. BOB PETERS: Is it -- is it time to consider whether -- and -- and the reason the bill was unbundled, Mr. Barnlund; you might be also dated by this question, but part of the -- part of the thinking was that there may be competition developed in some other areas other than primary gas supply?

MR. GREG BARNLUND: Well, again, the unbundling of the bill, and the redesign of our rate structure, and redesign of our cost allocation structure, too, occurred in 1996 at the same time that the hearing was going on, or roughly the same time period that the hearing was going on looking at the role of the gas -- the gas utility and the merchant function.

And so, it's reflective of that time period to say that those things were under consideration. Now, what emerged out of all that was a series of changes up until about 2000, where we then unbundled the bill to customers with the intention of providing them with what we thought at the time was additional information for them to be able to understand broker offerings that were going to be placed to them in the environment after we implement Western Transportation Service.

The key factor there was to separate the primary gas out from the rest of the rates. Because if you recall, prior to 19 -- around 1996, a residential customer paid a ten dollar ($10) basic monthly charge, and all other costs were recovered in a single until rate -- unit commodity rate to them.

It was not possible to look at your bill or look at our rate and understand what the price for the commodity, the primary gas commodity only, was because it was commingled with the recovery of all of the other costs that we would recover from those customers. So that was the intention of -- of creating some separation in terms of the different components of the bill.

What I would submit to you is that probably the consensus got a little carried away, and the separate -- amount of separation that occurred has proven to be likely not helpful to customers because there's so much detail there that it is difficult for customers to really comprehend what it is we're telling them in some of these lines on the bill.

So the pendulum swung very far in that direction when went through the unbundling.

MR. BOB PETERS: Is it time for the pendulum to swing back and perhaps bundle back the supplemental, the transportation, and the distribution rates?

MR. GREG BARNLUND: That's a very good suggestion and I think that it's -- when we look at distribution rates in other jurisdictions that -- that we were the first to unbundle to that extent. Others did not unbundle to the extent that we did, and there's certainly some advantages to look at reshaping those charges at some point in time in the future.

MR. BOB PETERS: Don't interpret my question as a suggestion, Mr. Barnlund, but it did strike me that in the focus group discussions there appeared to be little understanding of the bill, and maybe that's exacerbated by having gas and electric now on the same bill.

MR. GREG BARNLUND: I wouldn't attribute the combination of the two (2) as being the primary. I think that certainly -- I'm -- I'm pretty aware of the difficulty that customers have in trying to comprehend what we're trying to tell them in five (5) lines on the bill. And, certainly, the way that, for example, supplemental gas has been represented to customers has been confusing to, without a doubt, most customers in our jurisdiction and continues to be an issue that -- that you have to take a lot of time to try an explain to a customer what some of these things are.

So I wouldn't attribute it to putting both energies on the same bill, but I attribute it to the amount of detail that we have in terms of our gas distribution.

MR. LLOYD KUCZEK: And some of our other market research suggests that customers actually do understand the different components within the bill, so -- so there is some understanding. They're -- they're not totally unaware of the components.

(BRIEF PAUSE)

MR. BOB PETERS: Mr. Barnlund, when you suggested that I suggested that it was time to re-bundle the bill, is that a serious consideration by the Company at this time?

MR. GREG BARNLUND: I'd say that there's been on-and-off discussions internally about this for some time, but we haven't' formulated any specific project to undertake that at this point in time.

MR. BOB PETERS: The bill could be re-bundled -- could be totally re-bundled again even if it was to include primary gas, could it not?

MR. GREG BARNLUND: Well, there's a number of options that would be available. I think that the logical thing from a market information perspective would be to ensure that the primary gas is separate so that marketers, brokers, and their customers and all customers can understand the nature of the product offering that's being presented to them. And the amount of detail with regards to the transportation and distribution and other charges needn't be -- needn't be as complex as it is now.

MR. BOB PETERS: Currently Centra also offers agency billing and collection service, correct?

MR. GREG BARNLUND: That's correct.

MR. BOB PETERS: Does that apply only to the primary gas portion of a retailer's bill?

MR. GREG BARNLUND: Well, what agency billing and collection is, is it -- it, in conjunction with Western Transportation Service, is the way that we transact with end-use customers when a customer has signed up with a -- a broker for their gas supply or their supply of their primary gas.

And the agency billing and collection

service is really -- I guess notionally the inclusion of the broker's primary gas rate on the bill, and that, of course, then becomes rolled up into the amount that is recovered from that cust -- charged to that customer, and they -- they remit that amount to us. And then we would flow back the dollars associated with the -- the broker's supply gas to the broker.

MR. BOB PETERS: Thank you for that. The question I meant to ask was that's a voluntary arrangement?

MR. GREG BARNLUND: It is, yes. And I'm not aware of any market participants that have chosen to build their own customers for their residential market at all at this point.

MR. BOB PETERS: All right. Thank you, but -- and the point that I want to be clear on is that if -- if a retailer did not want to subscribe for the agency billing and collection service and they wanted to bill their own customers directly, they would bill only for the primary gas portion?

MR. GREG BARNLUND: That's correct, yes.

MR. BOB PETERS: And so Centra would still send out an account for the supplemental gas, the transportation, the distribution, and the basic monthly charge?

MR. GREG BARNLUND: Yes, sir.

MR. BOB PETERS: And when you say that you're not aware of any -- of any retailer who has opted out of the ABC service, that would be for the WTS supplied customers, correct?

MR. GREG BARNLUND: Their -- the ABC service is combined with the WTS, right.

MR. BOB PETERS: Are there any transportation service customers who -- who get billed by a retailer separate from -- from Centra?

MR. GREG BARNLUND: Transportation service customers, if they are on a transportation service agreement with the Utility, are only being billed by the Utility for downstream transportation -- the distribution of the gas to their plant. Some other party is billing them for upstream transportation, storage, and the commodity.

MR. BOB PETERS: Thank you. Just to clean up this area, Mr. Stephens, in the rebuttal evidence of the company -- in my note here it says page 11 of 16; that might be close -- there's a suggestion by Centra that the Alberta rates that are unhedged and -- and change monthly are even more volatile than the market prices.

MR. HOWARD STEPHENS: That's correct.

MR. BOB PETERS: Do you recall that, Mr. Barnlund?

MR. GREG BARNLUND: Yes, I do.

MR. BOB PETERS: Is the reason they are more volatile than the market prices because of the impact of the PGVA?

(BRIEF PAUSE)

MR. GREG BARNLUND: If you'll just bear with me a sec.

(BRIEF PAUSE)

MR. GREG BARNLUND: It would be -- that would be one of the -- one of the contributors, yes.

MR. BOB PETERS: Is there another contributor?

(BRIEF PAUSE)

MR. GREG BARNLUND: I think that the recovery of the -- of the prior period balance is probably the main driver of that -- of that price swing, yeah.

MR. BOB PETERS: And when you say the rates are more volatile than the market in Alberta, that's not telling the Board whether the rates are -- are higher or lower than the market, because that would depend on what was accumulated in the PGVA account.

MR. GREG BARNLUND: Well, it's -- it's in both directions. I mean, volatile means that the -- the rate change is greater than the change in the underlying ATCO price. And we had a discussion here earlier this morning and previously where we were mentioning that with regards to price transparency, that the monthly ATCO price is generally regarded as -- as the basic comparator by which you would be gauging -- gauging that.

And if we see that the -- the Utility's sales rate is changing more extensively than the change you see in the underlying commodity, that is a difficult piece of information for customers to understand. Because if the market is only -- if the market is -- is relatively stable at that point in time, but your Utility price swings excessively beyond that, that's not presenting information that is useful to the customer.

That's confusing the customer, in terms of what they should be doing with their energy purchases.

MR. BOB PETERS: Can't that answer also be applied, Mr. Barnlund, to any -- any attempts to manipulate the volatility, because you're hiding the transparency of the market?

MR. GREG BARNLUND: Well, I think that where we were coming from in terms of all these discussions, was to say that the most stable price you've got is a long term -- like a five (5) year fixed rate price. And that is disconnected from what's going on in the monthly market by virtue of the way it's structured.

Then we were talking about our quarterly rate setting methodology. And we have a utility system gas rate that changes every three (3) months, and it has some movement to it obviously when compared to a five (5) year fixed price, but less than what the -- the monthly price is changing. However, the underlying gas cost is changing on a month to month basis.

But then when you go to a monthly pricing, you find that in effect it is more volatile than the underlying gas price itself, which is again not a good thing to have for customers. Because our customers are telling us or we have a -- a responsibility to a large number of customers that don't choose or don't actively choose a gas price, or a gas package I should say, or gas -- primary gas rate, that we -- we have to balance price transparency and volatility, so that we have a -- a product that is -- that is suitable for their purposes.

And so when we end up looking at what happens on a monthly basis with pricing, I'm not sure that the customers that we currently serve, or the majority of the customers we currently serve on a quarterly price, would begin to accept the type of price behaviour that we see when you go to a monthly price. And if -- and if that happens then we're going to have some unhappy customers that are going to be faced with making other choices.

MR. BOB PETERS: Let me conclude on this area and -- and -- before the lunch recess, Mr. Barnlund, that we shouldn't forget that Alberta also has legislation where there's a cap on the commodity cost.

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

MR. BOB PETERS: Do you know the approximate price of the cap?

MR. GREG BARNLUND: I don't have it top of mind, but we could find that.

MR. BOB PETERS: We can -- we can assess that too. I think it's five fifty (5.50) but we'll -- we'll maybe check with the legislation to see if it's --

MR. GREG BARNLUND: That does ring a bell actually, Mr. Peters.

MR. BOB PETERS: And in terms of other default products that are out there on the market, BC and

Ontario both hedge their default supply?

MR. GREG BARNLUND: BC certainly does. Ontario, there's two (2) LDC's in Ontario; union hedges their supply. Enbridge has been hedged up too quite recently, but I think there's a recent decision from the Ontario Energy Board that's asked them to start reducing the hedging on their product.

MR. BOB PETERS: Do you understand why they've been asked to reduce the hedging?

MR. GREG BARNLUND: The OEB, in their decision, had determined that the hedging that Enbridge was doing wasn't translating through to provide a meaningful additional reduction to bill volatility to customers.

MR. BOB PETERS: Mr. Chairman, in light of the hour and I want to move onto a new section, this would be an appropriate time to take the lunch recess.

THE CHAIRPERSON: It's fine by us, Mr. Peters. Okay, we'll see you all back at 1:15. Thank you.

--- Upon recessing at 12:02 p.m.
--- Upon resuming at 1:25 p.m.

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

MS. MARLA MURPHY: Mr. Chairman, if I might, just before we begin, we're in a position where Centra can speak to some of the undertakings that were taken yesterday, if you care to receive it.

THE CHAIRPERSON: Very good.

MS. MARLA MURPHY: First, there's a couple that we'll speak to orally. Mr. Barnlund is prepared to speak to the undertaking he took. He was requested to look at the list of brokers to que -- determine whether or not there were any that were supplying gas only on their own, or whether they were competing for customers.

MR. GREG BARNLUND: Thank you, Ms. Murphy. I reviewed the list of registered brokers and there are no self supplying parties on that -- on that list.

MS. MARLA MURPHY: Thank you, Mr. Barnlund.

The second one, Mr. Chairman, was an inquiry as to whether or not the brokers that are active in this Hearing, Direct and Energy savings, are included in the list of seven (7) that serve large volume customers.

MR. GREG BARNLUND: Thank you. According to our information, Energy Savings does not market -- or does not have any industrial customers or large volume customers, whereas Direct Energy has.

MS. MARLA MURPHY: And finally, Mr. Chairman, I left on Mr. Gaudreau's chair and it probably hasn't made its way to you, written responses to Undertaking number 6, which was to file the information from Georgia, regarding the provisions that are made in the event that the market exceeds certain thresholds of concentration.

THE CHAIRPERSON: Thank you, Ms. Murphy.

MS. MARLA MURPHY: There's also Undertaking number 7, which was to file the document that Mr. Barnlund referred to yesterday, which is the Energy Savings Income Fund First Quarter Report for 2008.

If Mr. Peters and I have our numbers right, I believe those would be Centra Exhibit Number 13 and Number 14.

MR. GREG BARNLUND: And I might add at this time in terms of Exhibit 13, the reference to the threshold in Georgia can be found in the second paragraph of the overview on the first page.

THE CHAIRPERSON: Thank you, that is helpful. Thank you, Ms. Murphy.

--- EXHIBIT NO. CENTRA-13: Information from Georgia regarding the provisions that are made in the event that the market exceeds certain thresholds of concentration.

--- EXHIBIT NO. CENTRA-14: Energy Savings Income Fund First Quarter Report for 2008.

THE CHAIRPERSON: Mr. Peters...?

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: I want to turn this afternoon to -- to start, about Centra's alternative offerings and their positions relative to that.

Mr. Warden, you told me, I believe yesterday, that Centra was financially neutral as to whether a customer chooses direct purchase or system supply.

MR. VINCE WARDEN: Yes.

MR. BOB PETERS: Would you -- would you suggest that Centra's system supply customers are financially neutral, as to whether Centra gets -- or as to whether they get their gas from Centra or from a retailer?

(BRIEF PAUSE)

MR. VINCE WARDEN: Sorry, Mr. Peters, I'm -- I think I was anticipating a different question and I -- would you mind repeating that?

MR. BOB PETERS: Not at all. Does Centra believe that its system supply residential customers are financially neutral, as to whether customers stay with the system or go to retailers?

MR. VINCE WARDEN: Well, for the most part, they would be finance -- financially neutral. There are some costs that are being incurred today by Centra that we are proposing should be allocated to brokers, and those costs are relatively incidental. But with that -- for that one (1) exception, I would say that our system supply customers are -- are neutral cost -- cost-wise.

MR. BOB PETERS: Thank you. In addition to the costs that Centra incurs now for direct purchase in WTS, that are subject of a request of the Board to charge them to the retailers, I suppose it can be said that the system supply customers also have to pay a primary gas overhead rate in their purchases as well, correct?

MR. VINCE WARDEN: Correct.

MR. BOB PETERS: I think Ms. Derksen and others, taught us that at the Cost of Gas Hearing that may amount to as much as approximately five dollars ($5) a year. Do you take that subject to check?

MR. ROBIN WIENS: For a typical residential customer that would be close.

MR. BOB PETERS: All right. And I suppose then, Mr. Warden, if there was a mass migration away from system supply, there would be fewer customers left to pay the primary gas overheads, correct?

MR. VINCE WARDEN: Yes.

MR. BOB PETERS: Would you expect those primary gas overheads to decrease proportionately to the volume that's being served?

MR. VINCE WARDEN: No, I wouldn't think it would be directly proportional.

MR. BOB PETERS: So some of those costs would be fixed and would remain behind, no matter how many system supply customers were on the sys -- were left?

MR. VINCE WARDEN: Correct, correct.

MR. BOB PETERS: But this -- so to that

extent that would be the only place where system supply customers would have a financial impact as to what other customers on the system did?

MR. GREG BARNLUND: Ignoring that there may be some PGVA that would have to recovered from certain customers. If you had a situation where you had PGVA buildup and you had a number of customers that were to leave system supply at any given point in time, there is the possibility of part of that PGVA being stranded and having to be recovered from the remaining customers, if there were no provisions put in place to follow -- to have that PGVA recovered from the customers that left system supply.

MR. BOB PETERS: Okay. That's another good qualification, Mr. Barnlund, but that's a risk that happens every quarter or now, I suppose, every month, where consumers can leave the system and leave behind the PGVA and sign up for a fixed price contract?

MR. GREG BARNLUND: Well, certainly it's -- it's possible, but the issue is that if the PGVA gets built up substantially over a short period of time, that that becomes a much more difficult potentially complex matter in terms of the proper recovery of it.

MR. BOB PETERS: That would be under the situation where there was, I guess I use the words, "mass migration," as opposed to the regular migrations?

MR. GREG BARNLUND: I think that's -- that's fair.

MR. BOB PETERS: And likewise, if there are retailer customers whose long-term contract expires and they come back to system gas, one (1) of the things they're coming back to is a PGVA account that they're helping to -- to perhaps pay, that they didn't contribute to?

MR. GREG BARNLUND: Well, that's true if there's a large number of those customers that were return at a given point in time, that's possible.

MR. VINCE WARDEN: The PGVA, of course, can go both ways. It could be a credit that they could be participating in.

MR. BOB PETERS: Thank you for that clarification, Mr. Warden.

Mr. Warden, in an earlier answer to me, I took you to be telling the Board that the only reason Centra wants to offer more than a default product is because your customers want it, is that correct?

MR. VINCE WARDEN: Well, that's certainly the -- the primary reason. I -- I think we talked a little bit abou -- as -- as to whether there would be an economic benefit, and I would like to think it could be structured in a manner such that there could be a benefit to customers, as well.

MR. BOB PETERS: I'm going to come back to that economic benefit question, Mr. Warden.

But in terms of your customers wanting it, I think Mr. Kuczek also suggested that since 2004 that's been the Company's interpretation of the customer surveys?

MR. LLOYD KUCZEK: Our interpretation is based on the '04 market research, some internal market research, that we've done since then. And obviously adding to that would be the most recent information on the '07 market research.

MR. BOB PETERS: I didn't have a lengthy look at Direct Energy/Marketing Limited Savings Manitoba Limited Partnership/Centra 13, but that's where the 2004 study was found, Mr. Kuczek, and I wondered what specifically in that study led Centra to the conclusion that customers wanted Centra to enter into a fixed price offering?

MR. LLOYD KUCZEK: In -- in that study it doesn't specifically say that. What it does is give you an indication that -- that maybe -- and when you asked me earlier about when specifically the Company changed it's position, or took the position that its customers wanted that, I said that was very difficult to identify, because there's -- there's varying -- a varying amount of information that's been coming forward to us over time.

In the '04 study, what I observed was customers have a diverse need for products with varying exposure to price volatility. That was one of the conclusions I came -- from looking at that market research.

And so, you know, where I drew that conclusion from was looking at the question where it -- we asked customers what they thought of our current hedging activities. And 53 percent of the respondents indicated that this was acceptable, 27 percent of the respondents indicated a preference for a less-hedged product, and 13 percent indicated a preference for an increased hedge product.

You know, you always got to be careful in how you interpret these questions and what customers are telling you. But that led me to believe that customers have varying preferences for products and hedging, and -- and they have varying risk tolerances, so.

The other thing I got out of the '04 study was that some customers prefer to purchase their primary gas supply from Manitoba Hydro, rather than a broker. So even though these products with longer term fixed prices are being offered by brokers, it doesn't necessarily mean that the customer's needs are being satisfied in the marketplace.

And there was a number of issues raised by customers in that research, and subsequent to that, that suggested that even though they may want these products, and other products that are bei -- currently being offered by brokers, they would prefer to buy from Manitoba Hydro.

MR. BOB PETERS: You'd agree with me, Mr. Kuczek, that back in 2004 the consumers awareness of Centra's hedging was -- was almost as minimal as it was in the 2007 study?

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: So even though there were very few people aware of the hedging, again, they had to be educated as to what it was, and then you gave me some percentages in terms of whether they wanted more or less, correct?

MR. LLOYD KUCZEK: That's correct.

MR. BOB PETERS: And of the ones that you said wanted more, I think you used 13 percent wanted increased hedg -- hedged products, you interpret 13 percent to be wanting a fixed price arrangement?

MR. LLOYD KUCZEK: It's an indication that those customers may prefer that product over what we're currently offering.

MR. BOB PETERS: And the number was 13 percent.

MR. LLOYD KUCZEK: That's wh -- yes.

MR. BOB PETERS: And then when you, I think Mr. Enns taught me that when you go to the actual questions and the sample size and you look at how few were aware of hedging, you then have to consider that in terms of how many responded in the 13 per -- in the 13 percent. Well, how big the sample size was in the first place.

MR. LLOYD KUCZEK: Yes, you've got to be careful with that -- that of course. There's other information out there as well. Terasen Gas did some market research just recently in their marketplace, and they estimated, I believe it was ten (10) -- ten (10) -- I'm not sure if it was -- just over 10 percent of the market might be interested in unbundled services; another indication of generally the size of the market that might be interested in these products.

But it does tell you that there is a group of customers that are likely interested in those sort of products.

MR. BOB PETERS: There was no specific question in 2004 asking about a Centra fixed price offering, was there?

MR. LLOYD KUCZEK: Not that I recall.

MR. BOB PETERS: Was there any top line study done that provided some subjective view as to whether that was a desire from the -- from the consumers?

MR. LLOYD KUCZEK: No.

MR. BOB PETERS: And it certainly wasn't a objective of the 2004 study to gauge whether or not consumers wanted Centra to offer a fixed price contract?

(BRIEF PAUSE)

MR. LLOYD KUCZEK: In which study are you referring to?

MR. BOB PETERS: I mean the 2004 study, sir?

MR. LLOYD KUCZEK: No, it wasn't --

MR. BOB PETERS: You also just referenced internal marketing information, if I understood one (1) of your answers, as to be another source of information that provided Centra with a view that its customers may want Centra to offer alternative products.

MR. LLOYD KUCZEK: Yes.

MR. BOB PETERS: Has that internal marketing information been filed in these proceedings?

MR. LLOYD KUCZEK: Yes.

MR. BOB PETERS: And where will I find it, or where will the Board find it?

MR. LLOYD KUCZEK: If I've got my information correct, it's cert -- in response to DEML/CENTRA-14. And my apologies for ex -- not including ESMLP in there, as well, I guess.

MR. BOB PETERS: All right. Now, we -- we have your shorthand and appreciate their cite. Yeah, I'm aware of that filing.

You also then said the 2007 study -- and if I take you to table 13 of the 2007 study by E -- by eNRG Research Group, this was the study -- talking table 13 on page 34 of the study, this is the table that talks about product preference; is that the one that you're referring to?

MR. LLOYD KUCZEK: That's in the '07 study, yes.

MR. BOB PETERS: It is in the '07 study. And you're telling the Board, yes, this is the table in which you have put some reliance, as to -- from an indication of your consumers, that they want Centra to offer an alternative product.

MR. LLOYD KUCZEK: That, in combination with some other responses, yes.

MR. BOB PETERS: And nowhere in table 13 or in the question does it indicate from whom those different options would be available, does it? Centra's not even mentioned in the -- in the questioning.

MR. LLOYD KUCZEK: No, you have to combine that with some other questions that are answered, and I'm just looking for that.

MR. BOB PETERS: And -- and I'll -- I -- I'll let you look for it and you can provide any other answer, but if I stay on table 13 with you, Mr. Kuczek, would it be correct -- and I know Mr. Enns put on the record; he explained this to the Board.

But it -- I took from his answers that when you're looking at rate changes every month, or every three (3) months, or every year, that wasn't where the bulk of the customers wanted different products, they were more -- customers were interested more in the three (3) year and five (5) year, is that correct?

MR. LLOYD KUCZEK: What this table told me is that, without consideration for either issues, especially the premium you might have to pay, this is what the customer's preferences were for those products that were listed in the -- that table.

MR. BOB PETERS: Okay. And -- and the customer's preferences were for -- there was a majority that were looking for the three (3) and the five (5) year?

MR. LLOYD KUCZEK: A higher majority, yes.

MR. BOB PETERS: And in terms of a one (1) year product -- and I -- I say one (1) year because I think Mr. Warden may have mentioned that in a previous testimony -- only 28 percent put one (1) year as their top box and then there was a mean score of four point nine (4.9) attributed to it.

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: And even lower numbers for the three (3) month and the every month -- and one (1) month options.

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: What does that tell you about your current three (3) month offering?

MR. LLOYD KUCZEK: First, this isn't our three (3) month offering. This is -- this product that's included in the survey is a three (3) month product that's somewhat different than our product; our product is a combination of many things, it's -- it wa -- including the hedging. This would just be a three (3) month fixed rate, and it was a hypothetical product suggested -- or proposed to the customers.

MR. BOB PETERS: But was it explained to them that there would no hedging attached to this three (3) month product?

MR. LLOYD KUCZEK: Hedging was not brought up in the discussion; these products were just offered as you see them here.

MR. BOB PETERS: So from a consumer's perspective, they wouldn't know if the -- if the person asking them the question was asking for a -- or asking about a hedge product or a non-hedge product?

MR. LLOYD KUCZEK: No, from the consumer's perspective, all they'd be interested -- or what we were trying to find out from them and -- in this question was: If they had a choice of these products and they really didn't under -- need to understand the ine -- underlying mechanisms that would be needed to be put in place to provide the fixed rate products, which ones of these products would you prefer?

MR. BOB PETERS: And there was no indication to the consumers when they were being questioned, that some of these products were currently available on the marketplace?

MR. LLOYD KUCZEK: No, we -- we didn't

ask that right at this point here, no.

(BRIEF PAUSE)

MR. BOB PETERS: Mr. Kuczek, I'm trying to be fair here; I think you were also searching for Table 20 in a previous answer to me and I -- I didn't mean to cut you off.

But you were using table 13 in combination with another table and I wondered if it was table 20?

MR. LLOYD KUCZEK: I would certainly be using this table, as well.

MR. BOB PETERS: Is that the one you were searching for when -- when you were answering my previous questions?

MR. LLOYD KUCZEK: I think there's some other questions here and I'm just looking for it, but I thought there was one that asked about if whether or they would want Manitoba Hydro to offer more than one (1) product.

MR. BOB PETERS: And in table 20, correct me if I'm wrong, but consumers were not told that -- that at a three (3), four (4) or five (5) year product may already be available on the market from a retailer?

MR. LLOYD KUCZEK: No.

(BRIEF PAUSE)

MR. LLOYD KUCZEK: The other table is 21(a) that asked the question: Should Manitoba Hydro offer more than one (1) nat -- or one (1) natural gas plan to its customers?

MR. BOB PETERS: Do I take it, Mr. Kuczek, that your interpretation of the 2004 information, your internal information which is filed at Direct Energy/Energy Savings/Centra-14, together with the '07 report, lead -- leads Centra to believe that there may be a target market of -- in the range of 10 to 15 percent of your customers that are looking for an additional offering from the Utility?

MR. LLOYD KUCZEK: It tells me that potentially there's a market that would be interested in those products. But one has to be careful with that because until you actually offer those products to the customer, you're not going to know for certain whether or not the uptakes going to be at that level.

MR. BOB PETERS: Did I estimate the size of the market close to what you interpreted as; somewhere between 10 and 15 percent?

MR. LLOYD KUCZEK: Yes.

MR. BOB PETERS: In the evidence that's

filed, Centra suggests that it has consistently maintained it be allowed to enter the market with alternatives to the existing service offerings.

You're aware of that?

MR. LLOYD KUCZEK: Yes.

MR. BOB PETERS: And when you are telling the Board that Centra has consistently maintained that it be allowed to enter the market, you can confirm to the Board that Centra has never brought forward any offering, heretofore?

MR. LLOYD KUCZEK: Yes.

MR. BOB PETERS: And, in fact, in this proceedings, I think Mr. Warden has agreed with my use of the word "green light," in the sense that's what -- that's all that Centra's asking in these proceedings is a -- a green light to bring forward some alternative offering?

MR. LLOYD KUCZEK: That's correct.

MR. BOB PETERS: And if I heard Mr. Warden correctly -- and I may not remember correctly, but he will remind the Board -- it would be a fixed price offering that's of interest to Centra, at this point in time?

MR. LLOYD KUCZEK: I don't think we -- I don't think Mr. Warden said that we have identified a specific product that we would bring forward at...

MR. BOB PETERS: Mr. Warden, you can help me out. Is it -- is it a fixed price offering that -- that's top of mind for Centra or is it something else?

MR. VINCE WARDEN: Well, as -- as Mr. Kuczek indicated, we haven't really landed on exactly what we would bring forward with a recommendation for approval. But top of mind, fixed price offering, I think that's fair to say, yes.

MR. BOB PETERS: Is it fair to say, more than one (1)?

MR. VINCE WARDEN: No, I wouldn't go that far, at this -- at this time.

MR. BOB PETERS: You'd want to enter the market with one (1) and let the customers vote with their -- I guess their chequebook?

MR. VINCE WARDEN: Well, I think what we're looking for from this proceeding is, as you refer to it as, Mr. Peters, a "green light," to bring forward alternative products. So I wouldn't want to be restricted to one (1), but I'd would like to have the flexibility to bring forward alternatives.

MR. BOB PETERS: And in the event that that green light was given in wha -- some way, shape or form, Mr. Warden, how long before the Company would come back to the Board with a specific proposal?

MR. VINCE WARDEN: I think we would move quite quickly. We have to be cognizant of the fact that we've just entered into a contract with Nexen which extends two (2) years. So our supply arrangements would have to be looked at -- re-negotiated perhaps -- restructured to accommodate a fixed amount of gas over a period of time.

MR. BOB PETERS: Interesting point, Mr. Stephens; that's because you can't self-displace under your Nexen agreement? If I've used the word correctly.

MR. HOWARD STEPHENS: I don't contemplate that we would sel -- self-displace under the contract in any event, but that's correct. They have the sole -- they have the market wrapped up.

MR. BOB PETERS: I'm -- I'm confused by that answer, and I probably didn't ask the question right, Mr. Stephens. Under your existing arrangement with Nexen, can Centra displace some of its gas supply to enable it to get into alternative long-term arrangements with some of it's client -- some of it's customers?

MR. HOWARD STEPHENS: You -- you are prefacing you comment or your question on the basis that we have to displace the Nexen supply to provide fixed price offerings, or any type of -- I mean, alternative offerings, and that's not necessarily the case.

Now if to the extent that we did have to, then, I mean, that's going to be an issue with Nex -- Nexen.

MR. BOB PETERS: Okay. Now -- now you've got me interested that -- my recollection is -- well, how can you serve a fixed-price offering if you don't displace from your existing Nexen agreement, Mr. Stephens?

MR. HOWARD STEPHENS: Well, I can simply have a layer of the gas coming from Nexen that's got a fixed price, and we stream it to customers.

MR. BOB PETERS: That would be a revision to the existing agreement?

MR. HOWARD STEPHENS: Which it contemplates. The existing agreement does have language that does contemplate the potential for providing alternative service offerings.

MR. BOB PETERS: You're not allowed to take Nexen gas and resell it on the secondary market, are you?

MR. HOWARD STEPHENS: No, we're not. Well, other than some very specific circumstances.

(BRIEF PAUSE)

MR. BOB PETERS: I was trying to get from Mr. Warden a time line, and I've lost the train of thought on that, and I -- he talked about a two (2) year arrangement with Nexen. How -- how long would it take for the company to come back with this hypothetical fixed price contract offering that they'd like to test in the market?

(BRIEF PAUSE)

MR. HOWARD STEPHENS: It would be sometime in early in the year I would think. It's -- there's a number of considerations that need to be considered in the result before we could bring something to market.

MR. BOB PETERS: In your discussions with Nexen, that would certainly be part of the -- the time frame that you'd need, Mr. Stephens, is to identify with them some opportunities?

MR. HOWARD STEPHENS: Well, we'd be looking at multiple different ways of doing it, and trying to find the most risk free, cost effective way to do it.

MR. BOB PETERS: Does that suggest that there may be cost consequences for your entering into this arrangement with Nexen, or revising the arrangement you already have?

MR. HOWARD STEPHENS: No, I wouldn't agree with that, Mr. Peters. They may well want to charge us something for it, but, I mean, that's not the indication that I've had so far.

MR. BOB PETERS: And maybe this is a tidy place to just confirm my understanding, that this green light that your seeking, Mr. Warden, is for an unlimited number of offerings to the SGS and the LGS classes only?

MR. HOWARD STEPHENS: Yes, that's our position at this time, yes.

(BRIEF PAUSE)

MR. BOB PETERS: Mr. Stephens, I know we're putting the cart somewhat before the horse, but you didn't agree with me to suggest there would be additional costs that would necessarily flow from any re-negotiation of the Nexen agreement, did you?

MR. HOWARD STEPHENS: No, I didn't agree.

MR. BOB PETERS: And, does that suggest that this opportunity would be cost free, or a free ride for those customers who want to subscribe for a different type of gas supply?

MR. HOWARD STEPHENS: There's none -- there's no free lunch, Mr. Peters. I mean there would be potentially a premium associated with asking for a fixed-price offering from Nexen. This is all very hypothetical. I mean I want to qualify it that way.

MR. BOB PETERS: And -- and I certainly accept that qualification, Mr. Stephens.

MR. HOWARD STEPHENS: And so from that perspective to the extent there was a premium associated with it, they would bear the cost associated with that. So, yes, there would be incremental costs from that perspective.

MR. BOB PETERS: And when yo say "they would bear the costs," who are you referring to?

MR. HOWARD STEPHENS: The customers that take advantage of the service.

MR. BOB PETERS: You've agreed with me, Mr. Warden, that should Centra be permitted to introduce an alternative service offering, there should be no cross-subsidization from current system gas or electricity customers, correct?

MR. VINCE WARDEN: Yes.

MR. BOB PETERS: Have you turned your mind, Mr. Warden, as to what steps Centra would take to ensure there was no cross-subsidization?

MR. VINCE WARDEN: Well, we -- we have internally considered some options. I think, though, before we come to any conclusions in that regard, we would have to open up some serious negotiations with Nexen, our primary supplier.

So before we get to that stage of serious negotiations, having that green light is -- is very important to us. But there are ways that we could structure this, I believe, that we could ensure there would be no cross-subsidies between customer groups.

MR. BOB PETERS: Do you anticipate the internal costs incurred by Manitoba Hydro and Centra would be allocated in a similar fashion as is currently done between Manitoba Hydro and Centra? It would just be another layer of allocation?

(BRIEF PAUSE)

MR. VINCE WARDEN: Mr. Peters, I think you referred to Manitoba Hydro cost allocation methodology back to Centra. The costs that we would be incurring would be totally contained within -- within Centra so there would be a methodology required to ensure that the costs -- any incremental costs that there might be associated with a fixed price or alternate product offering are allocated to those customers that take advantage or benefit from that product offering.

MR. BOB PETERS: And not just incremental costs, Mr. Warden, but also embedded costs of the services or -- that are provided for in the new offering?

MR. VINCE WARDEN: Well, yes. I'm assuming that those embedded costs are being allocated to those customers today, so they would continue to bear those costs along with any incremental costs there might be.

MR. BOB PETERS: And, therefore, all costs of this alternative offering would be recovered from the customers who take up that alternative offering?

MR. VINCE WARDEN: That would be the objective, yes.

MR. BOB PETERS: Does Centra believe it has monopoly power in the marketplace?

MR. VINCE WARDEN: We would say not.

MR. BOB PETERS: I was -- I was hoping Mr. Wiens would get there first.

MR. VINCE WARDEN: No, he'll give you a different answer.

MR. BOB PETERS: What I'm -- didn't JD Power just give you a glowing report card, Mr. Warden, that suggests that there is some certain goodwill or market advantage to -- to Centra in the marketplace? Do you not translate it that way?

MR. VINCE WARDEN: We did get a glowing report from JD Power, but that report pertained to both gas -- the gas and the electricity side of our business.

MR. BOB PETERS: Is that report publicly available, Mr. Warden, or do you need to subscribe for that?

MR. LLOYD KUCZEK: Well, I just want to clarify the record. I told Mr. Warden yesterday it was both gas and electric. We subsequently looked into that and it was just electric -- a survey with electric companies, so sorry about that, Mr. Warden.

What was the other question?

MR. VINCE WARDEN: I think Marla's --

MS. MARLA MURPHY: Probably becomes no longer relevant.

MR. BOB PETERS: I think Ms. Murphy's going to object to that in a minute but...

(BRIEF PAUSE)

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: The -- the report you did reference was -- was even further qualified, Mr.

Kuczek, because it dealt with the mid-size utilities, as opposed to the large utilities, correct?

MR. LLOYD KUCZEK: I think there's awards for different sizes and the -- the report is available for purchase, I understand.

MR. BOB PETERS: Which you have done; which Centra has done?

MR. LLOYD KUCZEK: No, they -- they just came out with their report, so I don't think a -- necessarily a formal decision has been made. It's been discussed at this point, but I don't think a final decision has been made.

MR. BOB PETERS: Is -- there's no suggestion -- well, let me ask it this way. Is there a suggestion, Mr. Warden, that because you got good marks on the electric side that that must, therefore, mean that you also got good marks on the gas side?

MR. VINCE WARDEN: I think so. I think that's a fair -- a fair assumption. I think when -- when people think of Manitoba Hydro -- and a lot of our correspondence that we do issue -- customer correspondence that we do issue on the gas side refers to Manitoba Hydro, so I think -- so I think today, you know, we are approaching ten (10) years for the acquisition. I think today when people think of Manitoba Hydro, they think of both gas and electric.

MR. BOB PETERS: And this all started when I was asking whether or not you felt you had some monopoly power and -- and your answer was no. I was going to ask you to define that if -- whatever your answer was, but do you not see that there's goodwill or some advantage that the Centra and Hydro name has in the marketplace?

MR. VINCE WARDEN: Yes.

MR. BOB PETERS: And that goodwill has been paid for by the existing ratepayers?

(BRIEF PAUSE)

MR. VINCE WARDEN: Well, to the extent that the ratepayers pay all the costs, and if there's a cost associated with building goodwill, I guess, you could say the -- the ratepayers have -- have paid for that -- that goodwill.

MR. BOB PETERS: When I asked you -- when I asked Centra why it wanted to offer more than a default product, the primary reason, you told me, was your customers wanted and we talked about that. The other reason, Mr. Warden, is you suggested the economic benefit, you did not suggest as a reason that presently the products that are on the market are inappropriately priced?

MR. VINCE WARDEN: No. No, I didn't suggest that or mean to suggest that.

MR. BOB PETERS: Does that -- do -- can I interpret that by your saying then, that Centra thinks the pro -- the products on the market right now offered by retailers are appropriately priced?

MR. VINCE WARDEN: They're appropriately priced based on the limitation that's imposed on Centra to have one (1) product offering, yes.

MR. BOB PETERS: All right. If Centra had more than one (1) offering, would those prices by retailers on the market be inappropriate?

MR. VINCE WARDEN: By "retailers" being other retailers are you referring to?

MR. BOB PETERS: Yes, brokers.

MR. VINCE WARDEN: No, no, not necessarily. I wouldn't think that they would be inappropriate. I -- I'm not suggesting they're inappropriate today and I -- I don't think Manitoba Hydro entering that marketplace would make them inappropriate.

MR. BOB PETERS: So then I'm back to the second reason and that is the economic benefit that you mentioned, Mr. Warden, as to one (1) of the reasons why

Centra feels it should be in the fixed-price contract market.

MR. VINCE WARDEN: Yes, and I -- I might get in trouble with our resident economist over this, but -- but I -- I do think there are ways to drive value. Otherwise, I -- I -- if there wasn't value to provide -- to be provided to customers, I don't think we should be in that market.

Customers wanting this product is -- is certainly one (1) very important consideration, but I -- I don't I would -- or Manitoba Hydro/Centra Gas would be willing to put a product into the marketplace knowing that it's going -- going to cost more than -- than what's available there today.

So there would have to be some benefit to consumers that, in my mind, would -- would be economic.

MR. BOB PETERS: And that benefit that's economic translates down to dollars and cents?

MR. VINCE WARDEN: Yes.

MR. BOB PETERS: From that answer, Mr. Warden, it sounds like Centra's fixed price offering on the market will be cheaper than anybody else's. Is that your suggestion?

MR. VINCE WARDEN: Well, not necessarily. I think we, earlier today, reviewed some contracts with brokers that were lower priced than -- than the variable offering of Centra. So it would depend on what we were able to negotiate with the gas supplier and the timing of -- of those transactions.

MR. BOB PETERS: Before the lunch hour break, Mr. Warden, I believe I asked you if there was any basis for Centra being able to forecast the future natural gas prices better than a broker and I noted that you said, "No, Centra couldn't do a better job than the brokers do."

MR. VINCE WARDEN: Correct.

MR. BOB PETERS: If Centra were to offer a fixed-price contract for the same term that's offered presently by the retailers, is there any reasons to assume that Centra's price for the term contract would be less than that of the broker?

MR. VINCE WARDEN: Well, clearly, we don't have the profit motive that the retail -- other retailers have. So to the extent that there is a profit included in the retail offerings of the brokers, and there -- rightfully, there should be, then logically -- the logical extension of that would be that we could offer a price minus that profit, which would be lower than the price offered by the -- by the brokers.

MR. BOB PETERS: And what -- what percent of -- of that offering would be -- would be profit?

MR. VINCE WARDEN: We don't know.

MR. BOB PETERS: If we compare the costs that the present retailers or retailers would have to spend in the Manitoba marketplace compared to what Centra would, do you accept that they would both -- that both parties would have operating and administrative expenses?

MR. VINCE WARDEN: Yes.

MR. BOB PETERS: Would they be comparable an amount?

MR. VINCE WARDEN: Not necessarily. The brokers have administrative expenses that -- because they serve other markets tho -- that -- the overhead they incur can be spread amongst the -- all market participants, so they wouldn't necessarily be comparable to the -- to the overhead incurred by Centra Gas/Manitoba Hydro.

MR. BOB PETERS: All right. Would the amount of the overheads be different if Manitoba Hydro or Centra was to have an unregulated affiliate that is different from what Centra could have and different from what the retailers could have?

MR. VINCE WARDEN: Well, I think I indicated earlier that an non-regulated affiliate would add a substantial cost to Centra because of the, in effect, duplication of a services, administrative costs that would be incurred.

MR. BOB PETERS: When you say "duplication of costs," but those are the very costs that you would assign to the fixed priced product in any event.

MR. VINCE WARDEN: Well, no. No, the -- we -- there would be a portion -- there would be some incremental costs incurred by Centra to offer a fixed-price offering, but those costs we expect to be relatively minimal and far, far less than they would otherwise be if we were to set up a separate -- totally separate affiliate.

MR. BOB PETERS: Do you think the marketing costs as between Centra and its hypothetical fixed-price offering would be the same as those for retailers?

MR. LLOYD KUCZEK: Can you repeat that, Mr. Peters?

MR. BOB PETERS: I was wondering whether, in -- in terms of this -- determining whether there could be value to customers in the form of dollars and cents that I talked to Mr. Warden about, whether the marketing costs of Centra would be less than the marketing costs by retailers.

MR. LLOYD KUCZEK: That's one of the issues that we haven't resolved yet. We have had some internal discussions, but I -- I suspect door-to-door marketing costs -- sales costs would be high and I don't think we would be using those marketing efforts. But we haven't come -- come up with a budget to assess what our marketing costs would be. But each company would have it's own respective marketing costs, and they're likely to be different.

MR. BOB PETERS: Mr. Warden, we just talked about overheads and operating and administrative costs. Is there any suggestion that the synergies that have been achieved by Centra and Manitoba Hydro joining forces will be lessened as a result of going into a competitive offering?

MR. VINCE WARDEN: No, I don't think there'd be any impact on those synergies.

MR. BOB PETERS: In terms of the supply costs, Mr. Stephens, does Centra believe it can obtain the molecules for a fixed-price offering cheaper than the retailers can?

MR. HOWARD STEPHENS: I have -- I can't say right now. But, I mean, it's something we haven't explored in terms of what the absolute costs associated with that would be, and Mr. Warden eluded to the fact that would literally require some negotiation.

MR. BOB PETERS: I'm harkening back to my recollection of Mr. Stauft's evidence when I though he was suggesting that Centra and -- the brokers can get their gas no cheaper than -- than Centra because it was market priced.

And I'm wondering if Centra takes a similar view that it would have to be sourced at a comparable price to that presently provided by the retailers?

MR. HOWARD STEPHENS: That was for system supply. I mean, if when now when you start talking about fixed price offerings, we're -- we're offloading risk. The cost from a diff -- I mean, a different counterpart may be higher than another counterpart so, it's going to be a function of the negotiation that we go through with Nexen.

And, if in that circumstance, their premium over and above our existing price is too high, or we can -- deal with the matter in another way that's less -- you know, more cost effective, we will certainly look at that.

MR. BOB PETERS: All right. Fair enough. Mr. Warden mentioned profit. I think last time I tried to mention that, I got into trouble. But what you're telling the Board, Mr. Warden, is that as long as Centra is earning enough to pay the corporate allocation to the parent as well as some net income for the bottom line, Centra is reasonably happy and isn't profit motivated as you suspect some of the retailers may be?

MR. VINCE WARDEN: Yes, we're -- you know, as a Crown corporation, we're looking to have a reasonable level of retained earnings which is, for a -- for a gas utility like Centra, is relatively modest. So, yes, our profit objective is not trying to maximize return to shareholders.

MR. BOB PETERS: But you can't quantify what that would mean in terms of a price per cubic metre, in terms of how many cents?

MR. VINCE WARDEN: No, not at this time.

MR. BOB PETERS: You will acknowledge, Mr. Warden, that if -- if Centra was to offer a fixed-price offering within the regulated utility, there would be additional regulatory costs?

MR. VINCE WARDEN: That would seem reasonable, although I would hope those regulatory costs would not be excessive.

MR. BOB PETERS: But every time there may be a new rate or rate offering that Centra contemplates, it will attract regulatory costs?

MR. VINCE WARDEN: Some regulatory costs I would expect, yes.

MR. BOB PETERS: And those costs would be passed on to the consumers who participate in the offering?

MR. VINCE WARDEN: Correct.

MR. BOB PETERS: Would those regulatory costs be comparable to the profit that the retailers would otherwise think that they're earning on their product?

MR. VINCE WARDEN: No, no, I wouldn't expect so at all.

MR. BOB PETERS: You think -- you think they'll be less?

MR. VINCE WARDEN: Yes, I do.

MR. BOB PETERS: Without quantifying it, you think they'll be less?

MR. VINCE WARDEN: I -- I do.

MR. BOB PETERS: In terms of the fixed-price offering, Mr. Stephens, you acknowledged that there were risks in securing the gas supply for such a fixed-price offering, correct?

MR. HOWARD STEPHENS: Well there aren't risks inherent buying the gas supply; it's matching the gas supply to the market you're selling it to.

MR. BOB PETERS: Well, you'd have a price risk and you'd also have a volume risk, I take, from the answer?

MR. HOWARD STEPHENS: Correct. We have a volume risk and the price risk. I mean, the price risk can be more easily managed, but the volume risk is more difficult.

MR. BOB PETERS: And under your consideration, is the volume risk a risk that the Utility should be subscribing for; be taking on?

MR. HOWARD STEPHENS: I don't think we have any choice but to do so in terms -- well, let me back up just for a second. We may incur costs associated with mismatches between what we have, say, hedged and what we actually have sold. And to that extent, there's going to be variances that are going have to be recovered or reimbursed.

And so from that perspective, we have som -- have to have some sort of mechanism in place to make sure that the costs that are providing -- for providing the service are passed on to the appropriate customers.

MR. BOB PETERS: Do I take that from that answer, Mr. Stephens, that any risk that comes along will be passed on to the consumers of the product that you're offering?

MR. HOWARD STEPHENS: Well, I -- I don't think we've gotten far -- far enough down the road with respect to the development of the concept, but certainly there are -- is a volume risk. Now, who is going to bear that risk is a certainly a significant issue with respect to that. And, well, I guess I can't really comment on it right now.

MR. BOB PETERS: You can't comment on it because you haven't -- you haven't come up with a ro -- a position or resolution of that issue?

MR. HOWARD STEPHENS: We haven't come to closure on that, no. I guess the one (1) part of it, Mr. Peters, is that we don't want to provide a fixed price offering and end up with not enough gas at the fixed price, so that we have to potentially raise the fixed price for the customer because then it's somewhat counterintuitive in terms of what you're providing.

MR. VINCE WARDEN: There -- having said that, there -- there are ways to limit that risk and I think we would be look -- looking to structure a product with minimum risk to customers and to the utility. That would be our objec -- objective.

MR. BOB PETERS: You're not aware, are you, Mr. Warden or Mr. Stephens, of any other natural gas supply utility in Canada that has a green light to go ahead with alternative offerings in addition to a default supply?

MR. GREG BARNLUND: Perhaps I can help you out with that, Mr. Peters.

MR. BOB PETERS: Sure.

MR. GREG BARNLUND: I believe that just recently, Enbridge Gas in New Brunswick, which is a greenfield gas distributor that is currently se -- or since 2001 has been building out its system in New -- New Brunswick, is offering a one (1) year fixed-price option for its -- through its utility to customers, effective November 1 of this year.

MR. BOB PETERS: Can you provide the -- the Board with the regulatory ruling on that?

MR. GREG BARNLUND: As far as I know, there's no specific regulatory ruling due to the -- the structure of the -- of the arrangements in New Brunswick with regards to gas distribution utility. I don't -- there isn't any documentation that -- that I have at this point in time.

MR. BOB PETERS: That's information that's been provided to you through your sources, which may include Enbridge in New Brunswick?

MR. GREG BARNLUND: Yes, there's information on their web site for their customers with regards to the product offering, and we did have some brief discussions with the -- with some of the staff at Enbridge Gas New Brunswick about it.

MR. BOB PETERS: There's a suggestion from some of the research -- customer research materials that if Centra was to be allowed to provide an alternative offering and, further, if that resulted in fewer retailers in the Manitoba marketplace, that would be a possible outcome of Centra entering into the marketplace.

Do you accept that as a possible outcome?

MR. LLOYD KUCZEK: I -- I'm not sure how the retailers are going to respond to us entering the market.

MR. BOB PETERS: And, Mr. Kuczek, if -- if as a result of Centra entering the market, retailers chose to exit the market or reduce the offerings that were in the market, would that concern Centra?

MR. LLOYD KUCZEK: Only to the degree that our customers' needs might -- wouldn't be met, I guess. If we offered those products that they previously offered to the customers and the customers' needs were still being met, I wouldn't be concerned, no.

MR. BOB PETERS: Does that mean that -- and I'll go back to Mr. Warden -- that the present thinking is that only if there is a void -- and I think that was Mr. Warden's word -- a void in the market; would that be a place where Centra would want to enter with any alternative offering?

MR. VINCE WARDEN: Are -- are you -- Mr. Peters, just for clarification are -- are you suggesting under the scenario where the marketers exited Manitoba and, therefore, there would be a void in the three (3), four (4), five (5) year time period?

MR. BOB PETERS: Let me start over, Mr. Warden. I think you told the Board that without having a defined product or a definitive position, Centra's intentions at this time would be to look to offer one (1) alternative offering in an area that presently isn't being serviced by retailers; would that be fair?

MR. VINCE WARDEN: Yeah. I think the wording I used was that would be the area we would most likely look towards. However, I did, I think, or at least I hope I emphasized that no -- no decision has been made in that regard yet and we could come back with a product that went beyond the two (2) years.

MR. BOB PETERS: All right. Let me ask you directly. Why wouldn't you go out with a five (5) year fixed-term offering if that was an option available to you at this point in time?

MR. VINCE WARDEN: Well, it's a good question and perhaps we -- we would.

MR. BOB PETERS: Do you have any -- any basis to believe that your price would be different than what the brokers would be charging?

MR. VINCE WARDEN: Well, again, we don't have that profit motive. So the -- everything else being our equal, our price should be lower by the amount of the profit built into the broker price.

MR. BOB PETERS: And then following it forward, Mr. Warden, if, as a result of Centra entering into any fixed-price offering in the market, there were fewer options available from retailers because retailers were exiting that market, does that cause Centra any concern for its customers' well-being and value being delivered?

MR. VINCE WARDEN: Well, I -- I think that's where the role of the regulator becomes perhaps even more important. The competition is good for the marketplace to the extent that competing service providers presumably offer products at the lowest possible price. But in the absence of -- of competition, the regulator can accomplish the same end result.

MR. BOB PETERS: Presently, Mr. Warden, you'd agree that Centra has the ability to use an affiliate on an unregulated basis to enter the fixed-price market?

MR. VINCE WARDEN: Yes.

MR. BOB PETERS: And I took from an answer that I think you gave me yesterday, the only reason that Centra hasn't is because you don't believe you could do it cost effectively?

MR. VINCE WARDEN: Well not -- not as cost effectively as doing it within the -- the regulated Utility.

MR. BOB PETERS: In the book of documents at Tab 5 there's a copy of a Board Order and also an affiliate code of conduct. This is a code of conduct that -- am I correct that there's -- it's -- it's not really being used at this point in time?

MR. GREG BARNLUND: That's correct.

MR. BOB PETERS: And when I turn, Mr. Barnlund to page 3 of 12 of the Code of Conduct, there's a couple of principles that are supposed to guide Centra when dealing with affiliates.

MR. GREG BARNLUND: I have that.

MR. BOB PETERS: And one of them is to do with information and that Centra will not provide its affiliates or any other marketer with any customer-specific confidential information without the consent of the customer.

MR. GREG BARNLUND: I see that.

MR. BOB PETERS: Is that a principle that would apply if Centra was to go to marketing its own fixed-price offering?

MR. GREG BARNLUND: Are you referring to using -- the use of an affiliate to do the fixed-price offering?

MR. BOB PETERS: I'm sorry, I didn't hear your --

MR. GREG BARNLUND: Oh, I'm just asking, are you referring to Centra creating and using an affiliate to offer the fixed price?

MR. BOB PETERS: No, let me ask it this way. If Centra was to offer a fixed-price contract within the utility, does it believe it can use customer information to market its new product without the customer's consent?

(BRIEF PAUSE)

MR. GREG BARNLUND: I think that we would take the view that there wouldn't be any limitation on us advertising to our customers, but I think -- sorry, one second.

(BRIEF PAUSE)

MR. GREG BARNLUND: Go ahead, Mr. Peters, I'm -- I'm through with that. Or did I give you an answer?

MR. BOB PETERS: Oh, you -- you didn't want to so I guess I'll -- no, I --

MR. GREG BARNLUND: If you want to ask the question again, it'll be a little bit more --

MR. BOB PETERS: Yeah, let's -- let's try it again.

MR. GREG BARNLUND: -- coherent here.

MR. BOB PETERS: When we're -- when we're talking about what Centra can or cannot do when it markets this hypothetical, I'm going to call it a one (1) year fixed-price contract, is Centra going to be able, in your view, to use its customer-specific information to market it without the consent of the customer?

MR. GREG BARNLUND: Well, and I think the answer is yes, and I want to also draw an analogy to actual history here where we've done that to -- to give effect to an Order of the Board here for November 1, 2005 gas rates.

We, in essence, had put an alternate

primary gas offering into the market at that point in time. Through a series of Orders of the Board around that period of time, we were directed to offer the residential primary gas rate to a number of apartment and condominium customers in our market area; approximately two thousand (2,000) of those customers.

In order to do that, we utilized our customer information to identify the customers that -- that would be recipients of that offer. We created a package of information for those customers that included a contract to bind them to the residential rates, should they so decide to take it.

And we basically direct mailed that out to those customers, and those customers that were interested in participating in the residential primary gas rate as opposed to the non-residential primary gas rate, executed the agreement, sent it back to us, and we placed those customers on that rate.

So insofar as we had to use the assets and the information that we have within the Utility to be able to accomplish that, I see that as being analogist as to what we would do with a alternate primary gas offering of the type that we're discussing here today.

MR. BOB PETERS: At that time, Mr. Barnlund, are you aware as to whether or not the Freedom of Information and the Protection of Privacy Act was enacted in Manitoba?

MR. GREG BARNLUND: I can't comment on that; I don't know.

MR. BOB PETERS: All right. Would it be correct to say that no where on your client data base or your customer data base do you have an express consent from them authorizing Centra to contact them on -- on -- for marketing purposes?

MS. MARLA MURPHY: I think, Mr. Peters, we're getting a couple of things mixed up that's making this rather a difficult exchange. I think you're contemplating -- your questions are contemplating a division in Centra that doesn't exist, and that I don't think our panel is contemplating in the same sense that you are and that's probably creating the issue.

In terms of what information Centra collects and maintains pursuant to the Privacy Act, you know, I'd have to go back and look at that. But certainly they have the right to do that for the purposes of their business, which includes contacting the customers, and billing the customers, and all of those types of matters that you're contemplating here.

So, I guess if you're looking for an -- an opinion on the Privacy Act, we can certainly go away and do that, but we can't give it to you through the panel here right now.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Okay, to avoid that confusion, Ms. Murphy, maybe what I'll do is I'll move to the second aspect of the Affiliate Relationship Code I wanted to talk to the witnesses about, and that is the public statements re. preferential treatment.

There is a provision in the existing Affiliate Relationship Code for Centra, that Centra is not to directly or indirectly publically favour treatment of its services over those of any retailer. Would you agree with that?

MS. MARLA MURPHY: Can we just go back -- like you're referring to an affiliate code and when you look at the first page of that code, affiliate is defined as:

> "An association of Centra Gas Manitoba which engages in or intends to engage in the business on an unregulated basis of marketing energy or energy related products."

So this doesn't fit with the questions that you're posing to the panel.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: I'll try one (1) more time then, Ms. Murphy.

Does Centra believe that if it allowed to offer a fixed price contract, it can notify its customers on their inquiry, that they should seek out Centra's fixed term contract over any retailer's contract?

(BRIEF PAUSE)

MR. VINCE WARDEN: Mr. Peters, our objective would be to ensure that the customer has all the information she or he needs in order to make an informed choice. So I don't think we would be -- and I -- and I expect the broker would have as much access to that information as -- as Centra would.

MR. BOB PETERS: Can I suggest then from that answer, Mr. Warden, that Centra is contemplating competing with retailers on an even playing field without any advantages that may exist as a result of the information that's already in the Utility?

MR. VINCE WARDEN: I think the answer to that is, yes, Mr. Peters.

MR. BOB PETERS: And in terms of

competing with retailers or brokers, that's in fact what Centra would consider itself doing, if it was out offering a fixed term agreement?

MR. VINCE WARDEN: Well, especially if it was offering a fixed term agreement that is currently being offered by other marketers.

MR. BOB PETERS: And even if it was offering a one (1) year fixed term agreement when presently there wasn't one in the marketplace, Mr. Warden, wouldn't Centra still be competing with retailers?

MR. VINCE WARDEN: Well, we would be in the same marketplace, but we would be offering a different product, so I don't think that, at least by my loose definition of competition, that we -- that wouldn't represent -- competing because the products are different.

MR. BOB PETERS: Does Centra believe that Centra and the broker should have access to the same marketing methodologies?

MR. LLOYD KUCZEK: Yes.

MR. BOB PETERS: Does Centra suggest that door-to-door marketing be continued in Manitoba?

MR. LLOYD KUCZEK: That's a decision that should be made by the Board, not Manitoba Hydro.

MR. BOB PETERS: Does Manitoba Hydro intend to market any fixed price offering if it was given permission door-to-door?

MR. LLOYD KUCZEK: We've discussed it and we're likely not to pursue using door-to-door.

MR. BOB PETERS: Why wouldn't you pursue door-to-door?

MR. LLOYD KUCZEK: Based on the market research that we have, customers have a discomfort with door- -to-door sales, and we prefer to keep our customers satisfied. And if their preference is for us not to use door-to-door, we would -- likely wouldn't do it. The other reason is, it's very expensive.

(BRIEF PAUSE)

MR. BOB PETERS: In your answer, Mr. Kuczek, as much as Centra, I guess, hasn't made a decision on whether or not it would go door-to-door if it was given approval to put out a fixed price offering, Centra takes no position as to whether door-to-door selling should remain in the broker code of conduct?

MR. LLOYD KUCZEK: That's correct.

MR. BOB PETERS: Does Centra see door-to-door marketing as the primary source of consumer complaints?

MR. LLOYD KUCZEK: Well, I -- I don't know if you can characterize it as just the door-to-door or -- some of the complaints that I've read relate to the -- the information that consumers felt that they've got, or I think they've used "were mislead by," but I could only go by the information that we got through our contact centre with the complaints that we've received.

MR. BOB PETERS: From that answer, what you're suggesting to the Board is a bigger problem then the method of marketing, it's the information used or provided to the consumers?

MR. LLOYD KUCZEK: It seems to suggest that.

MR. BOB PETERS: Am I correct in the administration of the contracts, Centra wants brokers to come and leave an original signed copy of a contract with the gas company?

MR. GREG BARNLUND: The current process is that we require an image of the or -- original signed agreement to be provided to us.

MR. BOB PETERS: And so you've -- you've qualified my question by saying the image can simply be a photocopy or a fax, or something emailed in?

MR. GREG BARNLUND: Typically, yes.

Thank you.

MR. BOB PETERS: Does that mean, Mr. Barnlund, that telemarketing is not possible because there's not signed -- or image of a signature available?

MR. GREG BARNLUND: I think similar to some other jurisdictions, where telemarketing is used, the telemarketing is followed up with the delivery of a paper agreement for the customer to execute, and the customer must return the agreement in writing to the marketer for submission to the broker.

MR. BOB PETERS: Is it your understanding that currently happens in Manitoba?

MR. GREG BARNLUND: Well, in terms of the practices in Manitoba, I'm -- I'm sure that there's some telemarketing that is undertaken or in combination with door-to-door sales or direct mail campaigns.

And if you look at other jurisdictions like British Columbia, they're able to use telemarketing as a means to reach customers, but they still are required to have those customers execute the agreement in writing, for it to be authorized.

MR. BOB PETERS: So that means somebody either has to visit the house or send a letter and try to get people to respond through a direct mail?

MR. GREG BARNLUND: I believe so, yes.

MR. BOB PETERS: And in terms of technology, using the internet to sign up for fixed price contracts is, for the same reason, problematic, because there's not an original signature or a signature that can be imaged and sent into Centra?

MR. GREG BARNLUND: I think of the means that we're talking about, internet is probably less of a problem because the customer, through the internet, needs to sit down and actively take the step to send the -- the message to the marketer that they wish to be enrolled in the contract.

So they're taking the positive step to -- to, you know, indicate that they are willing to go into that contract. So it's probably less of a problem for us than a voice recognition arrangement over a -- a telephone, for example.

MR. BOB PETERS: But if the retailers in Manitoba were assign -- subs -- having customers subscribe over the internet, your current requirement is that there be an imaged signature from that customer?

MR. GREG BARNLUND: At this time, yes.

MR. BOB PETERS: And that imaged signature is not available on the internet?

MR. GREG BARNLUND: That's correct. The advantage to the internet, as well too, is that there is, I think, better poss -- potential of -- of information to be communicated to the customers. And -- and really when we're talking about marketing channels, I think that probably most would recognize that there are some problems with the door-to-door process, in terms of being able to verify the type of information that's being communicated to customers.

Through internet and potentially through telemarketing, those limitations can be addressed to a certain extent, certainly through telemarketing.

We recognize that if the appropriate recording procedures are in place to be able to document the conversations that go on with a customer, that provides an added measure of customer protection that isn't available when compared to door-to-door marketing means.

MR. BOB PETERS: All right. In addition to that telemarketing on the internet, isn't it available to have a customer type in their name on the contract line, is that not seen a sufficient from Centra's point of view?

MR. GREG BARNLUND: Well, I think that that's something that possibly merits some future review. If we look at the situation, probably in some jurisdictions they would accept that if a customer enters their account number information onto -- via the internet and clicks through -- they accept the terms and conditions -- that that customer has taken probably sufficient steps to be enrolled in that type of a contract. So there's potentially some merit in looking at -- at those forms of -- of marketing.

MR. BOB PETERS: In terms of another form of marketing, Mr. Barnlund, the ability to use, what I think we loosely call the billstuffer, that's enclosing some pamphlet with the monthly bill, that's a marketing strategy currently done by the Utility, is it not?

MR. LLOYD KUCZEK: We use the bill stuffer to inform customers of services offered by Manitoba Hydro or Centra, yes.

MR. BOB PETERS: And you used it this month to announce the EPP term starting, didn't you?

MR. LLOYD KUCZEK: I -- I didn't read this month's billstuffer.

MR. BOB PETERS: I -- I've got one (1) here and I was going to do maze on the back, but I'll let you have a look at that.

But is it -- is it contemplated that the Utility would use the billstuffer to advertise any fixed price contract that it was permitted to offer?

MR. LLOYD KUCZEK: Yes.

MR. BOB PETERS: Does Centra afford retailers the opportunity to be included in the bill with their own pamphlet or billstuffer?

MR. LLOYD KUCZEK: Our position is the bill is our bill, and the information that we provide to our customers should be the information pertaining to the services offered through our company. We think it'd be confusing to offer information related to products offered by other companies through our bills.

MR. BOB PETERS: Do you agree that it's an advantage for the Utility to be able to offer -- or to provide a billstuffer to consumers that's included with the bill that you know customers have to look at every month?

MR. LLOYD KUCZEK: Yes, it's an advantage.

THE CHAIRPERSON: Mr. Peters, when you get a chance, I think we will take a short break.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Just about finished this area, if I could, Mr. Chairman.

And one (1) of the answers that was previously given, suggested to the Board that more so than the method of marketing, was the information communicated.

What does Centra propose happened for better education of consumers related to their primary gas options?

MR. LLOYD KUCZEK: Well, one (1) -- one (1) of the things we looked at is what they're doing in BC, and that's including an information package with the confirmation letter sent out to customers. We think the process that they've established in BC would certainly offer customers the information that they probably need, if they read that information that comes with the confirmation letter.

And that should suffice -- the deal with the -- the problem with information being provided to customers.

MR. BOB PETERS: Now that -- just so that the Board is clear, the confirmation letter comes from the Utility telling the customer that their primary gas is going to be supplied by retailer "X," as of a certain date?

MR. LLOYD KUCZEK: Correct, along with additional information.

MR. BOB PETERS: And the additional information, is that prepared on a collaborative basis amongst the retailers and the Utility?

MR. LLOYD KUCZEK: I think they all agreed to the process and the information that's going to be provided in BC.

MR. BOB PETERS: Have you got a copy of that, that you could share with the Board in these proceedings?

MR. LLOYD KUCZEK: I don't have a copy of the information letter, but I hav -- we have the information that is contained in the order, which spells out the information that's supposed to be contained in the confirmation letter.

MR. BOB PETERS: All right. Perhaps we can ask then that you could provide a copy through your counsel and she could provide it to the Board.

--- UNDERTAKING NO. 7: Centra to provide Board with BC Information letter

MR. GREG BARNLUND: If I could just jump in on this, as well, too, Mr. Peters. The situation in British Columbia has also got a couple of differences between what we have in Manitoba, in terms of the time that a customer has with regards to when the cooling off period actually starts.

Currently right now in Manitoba, if you're approached on your doorstep and you execute an agreement with a marketer for primary gas supply, you have ten (10) days from the time that that agreement is signed to be able to change your mind and cancel the agreement without any penalty.

Beyond that, you are committed to that contract and you -- if you should decide to cancel that agreement after that period, then you could be required to pay the liquidated damages to wind up that contract.

In British Columbian, though, the information that arrives with the -- with the enrollment letter, provides you with pricing information, historic pricing information, that -- the enrollment letter essentially starts the cooling off period, as opposed to the signing of the contract on the -- on the doorstep.

So there are some fundamental procedural differences and processing -- information processing differences in British Columbia that are consistent with the -- with the format of the information that's being -- or with the notification letter that's being provided to those customers. And it's different than what we have here.

And so just strictly taking one (1) piece of information and -- and -- from that other jurisdiction, we have to realise that it couldn't really be directly applied to Manitoba without some modifications, for example, to the cooling off period here.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: And how long is that cooling off period, then, from -- in -- in British Columbia, from the day that the confirmation letter is sent out?

MR. GREG BARNLUND: Subject to check, I -- I believe that it would be ten (10) days from the time the letter is sent out. So the notification letter is sent out and I believe that triggers the cooling off period, at -- which is different, obviously, than what we have here because here the cooling off period begins with the signing of the agreement at the customer's doorstep. The marketer then batches up those customer applications and submits them to Centra for processing.

We process those applications, and if those customers are valid and are going to be entered onto broker supply, then the notification letter is sent from the utility.

So the notification letter from Centra goes out the customers long after the ten (10) day cooling off period is lapsed. So it's a different --

it's just different procedures here than there are in British Columbia, we'd have to take into consideration.

MR. BOB PETERS: How -- approximately how long is that, I know it depends on how big the batch is that's prepared by the retailers, but are you talking twenty (20) days, thirty (30), days from signing of the contract?

MR. GREG BARNLUND: That might be something you wish to talk to the retailers about because it involves their lead times, as well as our lead times.

MR. BOB PETERS: Has Manitoba Hydro or Centra had any discussion with the retailers on that issue?

MR. GREG BARNLUND: Not to my knowledge, to this point.

MR. BOB PETERS: All right, thank you. The last point I have in this area is -- there's a suggestion, I believe, in your evidence that there be information posted in some public domain that could provide somewhat unbiased information for consumers.

MR. LLOYD KUCZEK: Yes.

MR. BOB PETERS: Is it your suggestion, Mr. Kuczek, on behalf of Centra, that that be posted on the Manitoba Hydro website?

MR. LLOYD KUCZEK: Well, I think the

website that would be most appropriate for consumers to go to would likely be Manitoba Hydro's website. It doesn't have to be Manitoba Hydro's website, but if we're going to have it -- and wherever we have it, we need to advertise that so the customer's aware of it; and that could be part of the information that sent -- that is sent to the customer and with the confirmation letter, so they would have access to that, if they have internet service.

MR. BOB PETERS: Is that -- is that website to be information only or is there an ability for consumers to enter into contracts right on that -- that website?

MR. LLOYD KUCZEK: We didn't contemplate that. We were thinking of a website that just contains information that consumers should have to make informed decisions.

MR. BOB PETERS: No advertisements and no sign-up opportunities?

MR. LLOYD KUCZEK: It should likely be an unbiased website.

MR. BOB PETERS: Is it going to be perceived as that if it's held by Manitoba Hydro?

MR. LLOYD KUCZEK: I think if you have the website with the information posted, you should have an agreement upon -- among the parties to what information should be posted. And thereafter it should just be a matter of changing the products and the prices that are being offered to customers and -- and whatever other information that's agreed to; if it includes historical information or any forward-looking information.

MR. BOB PETERS: Why doesn't it currently exist?

MR. LLOYD KUCZEK: Greg's going to answer that one.

MR. GREG BARNLUND: I believe it's time for a break.

MR. HOWARD STEPHENS: I'll provide a response, sir. It's something we've contemplated for a good deal of time, but there are so many complexities associated with it, in terms of the competitive marketplace and dealing with the brokers and all the different stakeholders involved.

We haven't gotten around to doing it, but it certainly something that's foremost in our minds. Certainly, I can speak on my own personal behalf that if we get nothing else out of this Hearing, we want to get some education out to our customers so they understand what it is they're getting into.

MR. BOB PETERS: Does that --

MR. LLOYD KUCZEK: Just to add to that, Mr. Peters, we actually -- we had discussions about posting certain information in the newspaper, at least to start with, to get to our customers and we couldn't come to an agreement on the information that would be posted in the newspaper with the brokers, as well as the -- the Consumers' Association and the Manitoba Society of Seniors.

MR. HOWARD STEPHENS: And while I'm in for a penny, I might as well be in for a pound. And I'd suggest that the most neutral position would be for the PUB, perhaps, to post it on their website and we could provide them support in terms of preparing the documentation, et cetera.

MR. BOB PETERS: And under any scenario, would it be the responsibility of the market participants to keep their own information current, or is that done by somebody else?

MR. LLOYD KUCZEK: Well, I -- I think it should be the responsibility of whoever's offering the products and services to make sure that whoever's putting the information on the website or in the newspaper, if that's the case, is provided with timely information and accurate information.

MR. BOB PETERS: Thank you. Mr. Chairman, with that answer, I've completed one (1) area that I wanted to finish before the afternoon break. Can I suggest we take the break and I'll endeavour to finish by the end of the day today?

THE CHAIRPERSON: Very good, Mr. Peters. Okay. We will see you back at five (5) after 3:00.

MR. BOB PETERS: Thank you.

--- Upon recessing at 2:52 p.m.
--- Upon resuming at 3:10 p.m.

THE CHAIRPERSON: Okay, Mr. Peters.

(BRIEF PAUSE)

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Mr. Chairman, with the concurrence of my colleague, I'll start asking questions, and if there's any policy issues or matters for which they would like the input from Mr. Warden, they're certainly available to get it.

I want to turn to Tab 12 of the book of documents, Mr. Chairman, and with these witnesses. That's the Broker Code of Conduct, and the latest Board Order that I think reflects that.

You're familiar with the code of Conduct?

MR. GREG BARNLUND: Yes, we are.

MR. BOB PETERS: Are there any principles in the Code of Conduct that Centra doesn't agree that it should comply with if it was offering a fixed price offering?

MR. GREG BARNLUND: I'd just like to clarify the position, and it's been discussed briefly in an Information Request, and -- and I think that it's clear that Centra would wholeheartedly subscribe to the fair marketing practices that are di -- that are set out in the code of conduct.

We had just -- I guess more on a technical level, note that the Code of Conduct is really structured for unregulated marketers in -- in a number of other sections of the Code, makes reference to specific items that are applicable really for marketers as opposed to the regulated utility itself.

So I just wanted to draw that distinction; that in terms of the Code of Conduct as a document in its entirety, Centra would certainly subscribe to the fair marketing practices. But there may be some other parts of the Code that are more geared to a broker as opposed to the Utility itself.

(BRIEF PAUSE)

MR. BOB PETERS: I'm leafing through it as you're speaking, Mr. Barnlund. Under -- you've told the Board that article number 3, fair marketing practises; Centra's okay with all of those and would expect to comply with them if they were out there marketing a fixed price offering?

MR. GREG BARNLUND: That's correct.

MR. BOB PETERS: Article 4 dealing with identification; you have no trouble identifying who your people are if they're marketing your product, do you?

MR. GREG BARNLUND: No, that's true, yes.

MR. BOB PETERS: And so you'd comply with number 4 you would think?

MR. GREG BARNLUND: Correct.

MR. BOB PETERS: Number 5 in terms of information to be maintained; likewise, is there anything in there that would be difficult for you to -- to comply with?

MR. GREG BARNLUND: Well, number 5, really, there's some items in there referring to agency agreements, and I'm not sure that we would be actually entering into an agency agreement with the customer, as opposed to simply a contract.

MR. BOB PETERS: Okay.

MR. GREG BARNLUND: So I just want to draw that distinction.

MR. BOB PETERS: All right. Good distinction, you've got your point, and I'm sure the lawyers can debate on that for a while at the appropriate time.

And in terms of consumer information -- in terms of some of the items there, was there anything there that offended you in principle?

MR. GREG BARNLUND: No, I don't think so.

MR. BOB PETERS: And then over to number 7, the contracts themselves?

MR. GREG BARNLUND: Yeah, I think that we're okay with that, although I don't imagine that we would be assigning any contracts; 7.3 refers to the assignment of contracts between brokers.

MR. BOB PETERS: But, if at some point in the future, Centra was in the fixed price contract and it determined that maybe this isn't as -- the grass isn't as green as you maybe thought, or the customer uptake isn't as good as you thought, you may find occasion that you would want to assign them over to a retailer?

MR. GREG BARNLUND: Well let's be clear here. What we're talking about is a concept where the utility has got an alternative product offering which is similar to an alternative rate.

It's not that we are signing up these contracts, or these customers, and putting them under a discreet contract that we would then turn around and sell off to -- to another party at some point in time.

Potentially what might happen is that -- that if we decided that at some point in time that we were not going to offer that rate any longer, we would have to deal with it, you know, in a little different fashion, but along the lines of -- of those customers being on a specific rate and transitioning them to another rate.

MR. BOB PETERS: And if the transition to that other rate was only available from a retailer, that's an option that could be accommodated under the Code of Conduct?

MS. MARLA MURPHY: I think, Mr. Peters, it becomes a question of how that might be accommodated and the legal question of whether or not those customers would be assigned by Centra as opposed to customers being given the opportunity to -- to sign up with bar -- marketers.

MR. BOB PETERS: All right then. I have your point, as Ms. Murphy has clarified, so I appreciate that.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: If the one (1) year fixed price arrangement comes to end; this hypothetical agreement that we've talked about, does the consumer naturally revert back to default supply or are they then offered other options?

MR. GREG BARNLUND: Well, our intention would be that -- for example, at the -- as we approach the end of the contract, we would notify the customer of the -- of the date that that contract would be completed.

And if there was another offering that we were providing at -- that would follow on from that, we would advise them of it and we would expect that they would positively -- they would take steps to positively renew by signing an agreement and sending it to us in terms of their intentions to carry on with that product for the next contract term.

MR. BOB PETERS: Isn't that similar to article 8 of the Code of Conduct, in terms of renewals?

MR. GREG BARNLUND: It -- it is similar. I guess what I'm saying -- we're elaborating on that a little bit to say that we would likely seek to have a written renewal with the customer as opposed to any other type of an automatic rollover.

MR. BOB PETERS: All right. And in terms

of article 9, there may be disputes from time to time between your customers and Centra over the marketing practices or what happens, and you would want some dispute resolution process in place?

MR. GREG BARNLUND: Well, we do have a dispute resolution process in place and -- and it's between -- any customer can bring a matter to the Public Utilities Board if they are not satisfied that -- that their dispute with the Utility has been properly addressed.

The dispute resolution process that we're describing here was a specific process that was put in place to deal with unregulated participants in the marketplace, to be able to provide a structure for customers to be able to have access to a low cost means of being able to resolve or have mediated a dispute that they couldn't resolve with the marketer.

And so, for those reasons, I believe that Item 9 is really more specifically geared towards gas brokers or -- or unregulated participants themselves and probably have a little -- wouldn't have the same application for us because we do have a direct dispute process available through the Public Utilities Board.

MR. BOB PETERS: Centra also suggests that the code of conduct be embellished by including intermediate penalties.

MR. GREG BARNLUND: Well, that's an idea that we had simply cast out there and that currently -- the Board really has -- if there is an issue that has to be resolved that -- that somebody has been operating in violation of the code of conduct, the -- the remedies that the Board have available to them currently are really somewhat limited. I mean, on one hand, they can return the offended customer to systems supply and -- and void the contract between the customer and the marketer.

Outside of that, the only other remedy available to them is terminating the registration of the broker. And that's a very serious situation, obviously, because that would essentially put that broker out of business in Manitoba.

So there isn't really anything in between that if there was -- if there are issues that -- that merit a little different type of remedy, there are no other remedies available at this point and time.

And we're just bringing that to the Board's attention and to the other participant's attention to say that there may be some opportunity to address that at this point in time.

MR. BOB PETERS: And Centra would agree to also be subject to the same fines if there were complaints against them that the Board felt would be best addressed through -- through fines?

MR. GREG BARNLUND: Well, I don't know if -- I don't think we've really thought that itself to be, I guess, thought through in terms of those regards because the dispute resolution process, as I mentioned, is really geared towards handling the -- the dispute that arises between a customer and an unregulated marketer.

We are -- you know, a great deal of our operations are subject to review of the Public Utilities Board, and the Public Utilities Board has probably a fair bit of discretion in terms of how they would deal with us in terms of if we were committing some type of an infraction. So I -- it may be premature to speculate about that.

MR. BOB PETERS: Well, I hear from your answer, what's good for the goose isn't necessarily good for the gander here because maybe the retailer should be subject to fines, but not Centra, even though you're both out there with fixed-price offerings?

MR. GREG BARNLUND: Well, let me put it this way, if we were doing something that merited, you know, us being sanctioned by the Public Utilities Board; the Public Utilities Board has -- you know, has mea -- the means at its disposal to be able to deal with us.

MR. BOB PETERS: Okay. Turning to the topic of the terms of the fixed price contract; in the evidence, Centra offered up six (6) mandatory terms that they proposed should be in the fixed-price agreement. Have I got that right?

MR. GREG BARNLUND: That's correct.

MR. BOB PETERS: Am I also correct that five (5) of those six (6) were al -- are already a requirement?

MR. GREG BARNLUND: If you could just give me a second, Mr. Peters.

(BRIEF PAUSE)

MR. BOB PETERS: Tab 4, page 6 of your filing.

MR. GREG BARNLUND: I am there now, yes.

MR. BOB PETERS: The provision of only signing up with one (1) broker at a time, that's a current requirement?

MR. GREG BARNLUND: That's correct.

MR. BOB PETERS: What's new is the ability to provide information on competitor's products at the time a contract is signed?

MR. GREG BARNLUND: Yes, that was in our

original submission. I think that there is -- this was dealt with a little bit in an Information Request, and I think that it was pointed out by the marketers that there could be some difficulties in terms of implementing this because the way this is currently written in our application, it would -- it would assume that -- or presume that all market participants would have information with regards to other market participants offering and would provide that at the doorstep, for example.

And clearly, that, you know, could create a whole other set of problems. And I think, really, what we're suggesting with regards to this is that the -- there should be some access to information that customers would be able to use in the course of examining and, you know, potentially executing a contract.

So in terms of this, with regards to presenting that information the way -- or sorry, with regards to item 2 here, I think, probably we would suggest that if that information was available on a web site and some other means for the customers to be able to access that would be sufficient, in our -- in our view.

MR. BOB PETERS: All right. Thank you for that revision. And then in terms of the hard copy contract, do I understand your previous evidence to me to say that there might be some flexibility there when dealing with voice-recorded contracts or Internet contracts?

MR. GREG BARNLUND: I would say with regards to Internet contracts, we would be -- we would be interested in -- in examining that potential further. We do have some concerns with regards to voice-recorded contracts, but I think that the exploration of the Internet as a means of executing these agreements is -- is warranted.

MR. BOB PETERS: Presently, fixed-price agreements terminate on the sale of a property?

MR. GREG BARNLUND: Yeah, sale or the customer moving; basically the account the closing.

MR. BOB PETERS: The -- the one I wanted to turn to lastly here is the -- the automatic renewal provision. And at Tab 12 of the book of documents there's a Board Order that dealt with some changes to the automatic renewal.

And am I correct that the contracts presently don't evergreen or renew themselves without some action by the customer?

MR. GREG BARNLUND: I think -- I think that the terms of the renewal are presented to the customer in advance of the termination, or the end of the

-- the contract. And I'm not exactly sure if the -- if those -- all of those agreements are required to be renewed in writing at this point in time.

MR. BOB PETERS: Okay. Thank you for that. In terms of the costs that you suggest be allocated to retailers or their customers, one (1) of them are Centra's costs for WTS service, correct?

MR. ROBIN WIENS: That's correct.

MR. BOB PETERS: Mr. Wiens, I have, I think it's from one of your Information Requests here, but are we talking approximately three quarters (3/4s) of a million dollars?

MR. ROBIN WIENS: I believe that's correct, Mr. Peters.

MR. BOB PETERS: And for the services provided by Centra for WTS, that's everything, and I'm probably looking more at Mr. Stephens, but it's administering the direct purchase agreement by managing the customer contracts and enrollments, establishing maximum daily quantities for the broker supply, the nomination of deliveries, and there's administration of storage loans and storage gas?

MR. HOWARD STEPHENS: That's correct.

MR. BOB PETERS: And is this $750 thousand dollar number a hard and fast number at this point in time, or is an area of -- or a range of magnitude here?

MR. HOWARD STEPHENS: It's an order of magnitude.

MR. BOB PETERS: What you're asking for in these proceedings, Mr. Stephens, is that if the Board concurs that these costs, or in principle these costs should be charged through to someone other than who's presently paying them, then you would want to bring that forward in your next rate application.

MR. HOWARD STEPHENS: We'd have to do an allocation of costs to the appropriate cost --

MR. BOB PETERS: That's --

MR. HOWARD STEPHENS: -- cost of causation. But that would be at a GRA.

MR. BOB PETERS: That $750 thousand dollars is presently being paid for by all distribution customers of the Utility, is that correct?

MR. HOWARD STEPHENS: That's correct.

MR. BOB PETERS: And the $750 pertains only to WTS contracts?

MR. HOWARD STEPHENS: That's correct.

MR. BOB PETERS: Is it only WTS contracts for sys -- for SGS residential customers and SGS commercial?

MR. HOWARD STEPHENS: It would be for all

WTS customers.

MR. BOB PETERS: That would include WTS customers served by the seven (7) brokers that serve the large volume commercial customers?

MR. GREG BARNLUND: That's correct.

(BRIEF PAUSE)

MR. BOB PETERS: At one (1) point in time, Mr. Stephens, the analogous fee was charged through as a broker administration fee, was it not?

MR. GREG BARNLUND: That's correct.

MR. BOB PETERS: And why ha -- did the -- why did this fee then become one that was paid for by all distribution customers, not just brokers as an administration fee?

MR. GREG BARNLUND: Well, in the early days of the buy/sell, we had originally proposed, or the Board had required that we create a broker administration fee that would recover the cost of direct purchase from the brokers.

When we introduced the Western Transportation Service, in addition to recovering the costs of developing and implementing that service to all customers, we, at that time, requested that the ongoing administration costs be recovered from all customers at that time.

The reason being that we felt that that choice and that development of the market was being made available to all customers, and that all customers had the opportunity to chose broker supply, and -- and basically take advantage of Western Transportation Service, and ABC Service.

But times have gone by now, and seven (7) years have passed, and when we reflect back on the status of direct purchase here in this market, and we, you know, see that -- that the direct purchase participation rates tend to be reasonably stable, somewhere between 15 percent and 25 percent on a year-over-year basis, it leads us to believe that the customers that have chosen direct purchase are participating on it. The customers that have not chosen direct purchase are staying on system supply.

And that -- given that we have ongoing administration costs now with year-over-year with regards to the direct purchase system, that it's time that we restructure that so that those customers that are choosing to be on direct purchase, that the brokers that are supplying them in this market should be basically charged for the administration costs of -- of what it costs the Utility to be able to provide those services on an annual basis.

MR. BOB PETERS: That theory still holds through -- true though, that direct purchase is a choice still available to all customers?

MR. GREG BARNLUND: That's true and if we were in a situation where direct purchase participation rates were steadingly -- steadily increasing on a year-over-year basis, I think that there would be a reasonable basis to say that all system ca -- or all customers of the Utility should be bearing those costs.

But, you know, I reflect back on the -- the -- essentially the state of the market over the last number of years where there's been a fairly consistent number of customers on direct purchase; that number fluctuates from year to year. But we do not see the consistent growth in that on an actual basis, which, you know, leads us to believe that we may not see that much more participation in the direct purchase market, and that the ongoing costs of the direct purchase facility, you know, could reasonably be recovered from -- from those customers.

And I'd also reflect on the fact that in essentially all of their jurisdictions that we've been talking about, that it's common practice there in Ontario, Union Gas, Enbridge; in British Columbia, Terasen Gas; to recover their annual administration costs for direct purchase facilities from the brokers that are active in that market.

MR. BOB PETERS: If Centra was allowed to offer an alternative offering, would it charge itself a portion of that broker administration fee?

MR. GREG BARNLUND: To the extent that -- that it was required. In other words, if we were using the direct purchase facility to essentially enroll customers, we would be able to track customers on a fixed price offering, then we would certainly be ex -- expecting to pay the same unit costs as a broker would under the same circumstances.

MR. BOB PETERS: Another cost that's mentioned in the materials is the -- the overhead cost for primary gas for system supply customers. And we saw at Tab 3 of the book of documents, what at least that Company's request was at the General Rate Application.

That's charged only to system supply customers currently, isn't that the case?

MR. ROBIN WIENS: That enters into the primary gas rate.

MR. BOB PETERS: Yes. And it's -- it's a non-molecule charge, but it's an overhead charge to system supply customers only?

MR. ROBIN WIENS: Correct.

MR. BOB PETERS: Under the -- the thinking that the activities of the Corporation are used to supply all customers with gas, is there an argument to be made that this overhead rate should be spread out over all distribution customers and not just system supply customers?

MR. ROBIN WIENS: No. The -- the reason that we have isolated them and included them in the primary gas overhead rate is because we believe them to be associated with the cost of acquiring gas.

MR. BOB PETERS: All right. And that's gas for the system supply customers and none of that expense is attributable to the direct purchase customers?

MR. ROBIN WIENS: No, that's identified elsewhere.

MR. BOB PETERS: All right. In terms of agency billing and collection costs, there's currently a twenty-five (25) cent charge, per direct purchase customer, per month --

MR. ROBIN WIENS: Yes.

MR. BOB PETERS: -- is that correct? Do I take your request to be, again, looking for approval to increase the ABC fee to some amount, which include a provision for bad debts?

MR. ROBIN WIENS: To increase the ABC by some amount to include a provision for incremental bad debt.

MR. BOB PETERS: Incremental bad debts. That perhaps helps answer my question, Mr. Wiens.

At the book of documents, Tab 13, there's some information on bad debt accounts and the incremental bad debt has by -- been identified as fifty thousand dollars ($50,000), is that correct?

(BRIEF PAUSE)

MR. ROBIN WIENS: Yes.

MR. BOB PETERS: And so, as I understand it, you're telling the Board that presently bad debts are recovered in the distribution rate from all distribution customers?

MR. ROBIN WIENS: That's correct.

MR. BOB PETERS: But you've calculated that on a per-customer basis; those using direct purchase and those on system supply, there's a fifty thousand dollar ($50,000) additional cost attributable to the direct purchase customers that isn't being paid for by them, but rather paid for by the entire customer base?

MR. ROBIN WIENS: This is -- this is an --

an estimate -- and it's no more than that, at this stage -- based on an assumption that the bad debt experience of the direct purchase customers is similar to that of system customers and recognizing historically that, over the long run, the prices charged by -- through the direct purchase customers are somewhat higher for primary gas than those that are paid by the system-supply customers.

MR. BOB PETERS: Can you tell the Board what amount of money is outstanding from direct purchase customers compared to the system supply customers?

(BRIEF PAUSE)

MR. LLOYD KUCZEK: We don't track it based on those two (2) -- two (2) customer classes.

MR. BOB PETERS: So any additional allocation would be simply a -- an estimate?

MR. ROBIN WIENS: Well, that's what it is at this stage. We -- we don't track it at this time. Certainly if enough resources are invested, it may be -- it -- it may and will likely be possible to track it. But we haven't identified what the resources would be that have to be committed to a more direct tracking of it.

MR. BOB PETERS: In your answer, it doesn't -- that doesn't suggest that direct purchase customers are more likely to be bad debt risks, it's just that on a per capita, that segment of the SGS customers is smaller and, therefore, any additional amount isn't amortized or recovered over a larger base as is system supply customers?

MR. ROBIN WIENS: I'm not sure I'm -- I'm following that --

MR. BOB PETERS: Let me ask it this way, Mr. Wiens. Are customers who sign up for direct purchase better credit risks or worse credit risks than your system-supply customers?

MR. ROBIN WIENS: I don't know the answer to that, Mr. Peters, and the -- the forecast that we've made assumes that they are equal.

MR. BOB PETERS: And so then you're just doing an arithmetic calculation to determine how much more incremental would be allocated to direct purchase customers than is presently being recovered from them?

MR. ROBIN WIENS: That's all it is.

MR. BOB PETERS: All right. I have your point, thank you. I heard Mr. Warden say, I think, more than once on the transcript or this morning -- the proceedings -- that -- and maybe it was you also, Mr. Stephens -- that Centra is prepared to negotiate changes to their gas supply arrangements if it's to the benefits of the consumer and there's no incremental cost to those who don't receive the benefit?

MR. HOWARD STEPHENS: That's correct.

MR. BOB PETERS: And I'm turning to the Nexen additional cost; starting November 1st, Mr. Stephens, Nexen is going to be charging a half a cent a gigajoule on all gas supplied to allow there to be de-contracting on a monthly basis as opposed to quarterly?

MR. HOWARD STEPHENS: On our baseload supply; not all gas supply.

MR. BOB PETERS: And -- and help me with that -- on the baseload supply, is that the baseload only to the SGS customers and the LGS customers, or is it to all customers?

MR. HOWARD STEPHENS: No, baseload would be to all of our -- all of our customers that are served by the system -- served on system gas. But you can't discriminate or delineate between sma -- small SGS residential and -- or SGS commercial or LGS customers. There are just -- it's just one com -- form of the portfolio of supplies that we have.

MR. BOB PETERS: When you negotiated it, Mr. Stephens, did you have the authorization from the retailers in Manitoba to negotiate an up-charge for that flexibility?

MR. HOWARD STEPHENS: We had a dialogue prior to going through the negotiation process, and they indicated that that was one (1) of the things that they had a great deal of interest in.

Certainly, I don't think we came back around. In fact I know we didn't come back around to check with them to see whether the premium was sufficient or not to gain the additional flexibility, but certainly from my perspective, the additional premium is not unreasonable.

MR. BOB PETERS: Is it correct that the retailers in Manitoba did not agree in advance to pay that amount?

MR. HOWARD STEPHENS: That's correct.

MR. BOB PETERS: They weren't part of the negotiation process with you?

MR. HOWARD STEPHENS: No.

MR. BOB PETERS: When you say it's a half a cent gigajoule and you want to recover that from -- from direct purchase, either customers or their retailer, that's the half a cent on volumes, even those consumed by system supply customers?

MR. HOWARD STEPHENS: That's correct.

MR. BOB PETERS: And that's even for the half a cent a gigajoule charged on the gas that goes to the base-load of the higher volume customers?

MR. HOWARD STEPHENS: That's correct.

MR. BOB PETERS: Would it be charge back on the basis of a pro rata share of the volumes by all brokers?

MR. GREG BARNLUND: Mr. Peters, what we would be looking to do potentially with that would be to incorporate that in the amount of monies that we would wish to use in deriving broker fees. And that exact structure hasn't been determined yet, but similar to other jurisdictions and similar to what existed here previously, could be considered as a flat charge per cus -- per broker contract plus a charge per customer under contract with the broker.

So that conceivably is the way that we would look to recover that money. And the reason why we were looking to recover that money from the marketers, is that this modification to the system supply contract was undertaken, at the request of the marketers, to provide the marketer with additional flexibility in terms of enrollment of customers on a monthly as opposed to a quarterly basis.

MR. BOB PETERS: And while they may have requested the flexibility, they never agreed to pay any specific amount, did they?

MR. GREG BARNLUND: That's fair.
MR. BOB PETERS: And would it also be fair that conceptually, this half a cent a gigajoule does nothing for the approximate fifty thousand (50,000) customers that are already on direct purchase, because they're already there for free?
MR. GREG BARNLUND: And that's true, and that would be why we are looking to embed these costs in the broker fees as opposed to in rates, for example, to customers.
MR. BOB PETERS: And would it also be correct, Mr. Barnlund, that quarterly enrollments were available in your negotiations for free, and monthly enrollments had a price tag of a half a cent a gigajoule?
MR. HOWARD STEPHENS: Well, that's correct.
MR. BOB PETERS: And so what this half a cent a gigajoule does, is it affords the next customer to sign up with a broker the opportunity to sign up as much as sixty (60) days earlier then they would of otherwise had the ability to do?
MR. HOWARD STEPHENS: Our cycle would be forty-five (45) days.
MR. BOB PETERS: All right --
MR. GREG BARNLUND: Plus I might add, Mr.

Peters, that it provides a benefit to the broker in that it initiates the cash flow to them from that customer, earlier then would have otherwise have occurred?

MR. BOB PETERS: Instead of forty-five (45) day, how many days?

MR. GREG BARNLUND: Well, instead of a quarterly enrollment, they could enroll -- potentially, instead of signing a customer and having to wait through a couple months until you reach the enrollment date for the next quarter, that enrollment can occur earlier, and therefore cash flow would initiate earlier for the broker.

MR. BOB PETERS: How much earlier?

MR. GREG BARNLUND: Well it just depends on when the customer was signed.

MR. BOB PETERS: Okay. A maximum of how much earlier?

MR. HOWARD STEPHENS: Well, we have a forty-five (45) day lead time now. I think -- I mean, in the worst-case scenario, a customer could have been waiting three and a half (3 1/2) months before.

MR. BOB PETERS: And now they could be waiting two and a half (2 1/2) months?

MR. HOWARD STEPHENS: That's right. No, that's, yeah, forty-five (45) days is one and a half (1 1/2) months.

MR. BOB PETERS: All right. Well -- well forty (40) -- okay, it's forty-five (45) days from when gas flows, not from when --

MR. HOWARD STEPHENS: That's right.

MR. BOB PETERS: -- the month -- okay. And is half a cent a gigajoule would be on volumes that system-supply customers consume and that would be customers who have no intentions of ever subscribing for direct purchase?

MR. HOWARD STEPHENS: Well, I won't know what their intentions are, sir, but I mean, the gas will -- the premium will apply to all the gas that flows in the system under that portion of the contract.

(BRIEF PAUSE)

MR. BOB PETERS: Mr. Stephens, one of the other matters that appears in the evidence is that there was a minimum volume threshold for retailers to reach before they could flow gas to their customers. And I understood that to be approximately 365,000 cubic metres per year.

MR. HOWARD STEPHENS: That's correct.

MR. BOB PETERS: And -- and that was based on a TransCanada Pipeline requirement of nominations of

1,000 cubic metres per day.

MR. HOWARD STEPHENS: That's prior to them converting to volume at -- or heating value as opposed to volume metric measurement.

MR. BOB PETERS: Mm-hm. Please don't confuse me with the facts. The -- in essence the old system, Mr. -- Mr. Stephens, used to be that the brokers would have to accumulate a hundred and forty (140) approximate typical households before they could elect to have them de-contracted.

MR. HOWARD STEPHENS: Your number is reasonably close, sir.

MR. BOB PETERS: And now there's been a recent change by TransCanada whether they go to heat value or volumes, and it's now 1 gigajoule per day is the minimum daily nomination amount.

MR. HOWARD STEPHENS: That's correct.

MR. BOB PETERS: And that would be roughly converted to 26 metres -- cubic metres a day, and that would be enough for four (4) typical residential customers.

MR. HOWARD STEPHENS: I'm not going to test your math, but -- it's late in the afternoon -- but I'll take your word for that.

MR. BOB PETERS: All right. So instead of having to have a hundred and forty (140) customers lined up for a product offering, retailers can now come to you when they have four (4) customers lined up for a -- for an offering.

MR. HOWARD STEPHENS: There will be a corresponding reduction in terms of the number of customers that can come to a contract. I mean, the threshold will be reduced. It won't be a direct correlation; we have to take load factor into consideration with respect to that.

So the minimum nomination provided by TransCanada is 1 gigajoule per day; we would be on -- or be able to nominate at least 1 gigajoule per day to manage -- to manage the contracts. We may have to gross that up to one and a quarter (1 1/4) which is not, I mean, a practical solution, so maybe 2 gigajoules. That's something we want to have another -- I mean, a closer look at.

MR. BOB PETERS: When does this new optionality exist?

MR. HOWARD STEPHENS: We can do that almost any time.

MR. BOB PETERS: Have you done it yet?

MR. HOWARD STEPHENS: No.

MR. BOB PETERS: Is there any impediment

on the retailer side as to why it's not presently being done?

MR. HOWARD STEPHENS: Not from the retailers, no.

MR. BOB PETERS: The hold-up is in your court?

MR. HOWARD STEPHENS: I'm the one.

MR. BOB PETERS: And you're trying to resolve it of course, and that'll be done as soon as you're off the microphone; is that the answer?

MR. HOWARD STEPHENS: You bet.

MR. BOB PETERS: Yeah. All right. But there's no -- there's no impediment and no time delay that you foresee to being able to have your daily nominations changed so you can get direct-purchase customers to their retailer quicker?

MR. HOWARD STEPHENS: No. I mean, it really wasn't an issue that was brought to my attention until, I mean, part and parcel of this hearing process. I mean, and once we became aware of it, I mean, it became pretty apparent, I mean, we were dealing with dated information or dated rules.

MR. BOB PETERS: Are there any extra cost implications of that for Centra?

MR. HOWARD STEPHENS: Yes, of course,

because now that we have the lower threshold of customers per contract we will have more contracts and that will be somewhat greater administration.

MR. BOB PETERS: And that's the administration costs that you are proposing be calculated and brought back in terms of a charge-back to the brokers?

MR. HOWARD STEPHENS: Whether it's material is another issue.

MR. BOB PETERS: Are you -- are you aware, Me. Stephens or Mr. Barnlund, of any offering from a retailer that could not proceed because of the old TCPL volume threshold requirement?

MR. GREG BARNLUND: I don't believe we're aware of any, but I also wanted to just highlight that a batch of one hundred and forty (140) customers is a very small number in terms of -- it -- it -- four (4) is obviously a smaller number then a hundred and forty (140), but still, I -- a hundred and forty (140) would not be, I think, an onerous matter in terms of marketing different products in this marketplace.

MR. BOB PETERS: Mr. Stephens, while we're on the topic of nominations, there have been requests made by the retailers and brokers for changes in the nomination process, isn't that correct?

MR. HOWARD STEPHENS: Yes.

MR. BOB PETERS: And as I understand it, in essence, Centra takes the position that the request from the retailers is to flow gas at virtually 100 percent load factor.

MR. HOWARD STEPHENS: That's my understanding of it, yes.

MR. BOB PETERS: They want one three hundred and sixty-fifth (1/365th) of their load to flow every day.

MR. HOWARD STEPHENS: That's correct.

MR. BOB PETERS: And to that, you have said no.

MR. HOWARD STEPHENS: No, because it would have give them a distinct advantage over the supplies that we have to buy for the remainder of the system and potentially incur incremental costs.

MR. BOB PETERS: I'll know better when I speak with the -- the retailer's panel, but it's my understanding that in this process, there may not be specific changes requested, but additional information is being requested by the retailers to better understand the process.

MR. HOWARD STEPHENS: And we'll be happy to provide the information. I think the best way we could do that would be to let them observe our process during the course of a day and how we manage that.

MR. BOB PETERS: A ride-along for a day with Mr. Stephens.

MR. HOWARD STEPHENS: Well, it may not be me that gives them the ride, but, I mean, somebody will certainly do it.

MR. BOB PETERS: All right, has that offer been extended?

MR. HOWARD STEPHENS: No, I haven't done that yet.

MR. BOB PETERS: All right, but you intend to do that?

MR. HOWARD STEPHENS: Well, it was -- when I was looking at the responses to the questions, I thought, well, what's the best way to deal with this, and I think that that likely is the best way to deal with this.

MR. BOB PETERS: And we'll see how receptive they are to your offer next week, Mr. Stephens.

MR. HOWARD STEPHENS: Well, other than Ms. Ruzni -- Ruzycki is going to tell me how to do it. I should go over fairly well I would think.

MR. BOB PETERS: I think the next to the last issue, in any event, there was a request, also, for Centra to look at an electronic business transaction system.

MR. HOWARD STEPHENS: Oh, sorry. There was a request, yes.

MR. BOB PETERS: And you understand this to be a system where it's electronically-based and enrollments can be registered on -- or via email?

MR. HOWARD STEPHENS: I understand that it is a very sophisticated system and it's capable of managing a large number of customers and it is very pricy.

MR. BOB PETERS: And we'll come to that, but one of the advantages of it is it's able to migrate customers online and significantly re -- reduce any of the errors that presently occur through manual enrollments?

MR. HOWARD STEPHENS: That's -- that's -- I would agree that that's a characteristic.

MR. BOB PETERS: And it would also enhance the security of the information?

MR. HOWARD STEPHENS: I don't know that I would necessarily agree with that.

MR. BOB PETERS: There are industry prescribed standards for such electronic business transaction systems?

MR. HOWARD STEPHENS: I am not sure about that, sir.

MR. BOB PETERS: What you are sure of is

that it's a -- it's not an inexpensive system.

MR. HOWARD STEPHENS: No, and from that perspective, given the nature of the systems that we have in place and the improvements that we're making on a continuous bases, I think that we're getting a good value for the dollar.

MR. BOB PETERS: I think in your rebuttal evidence you quantified union's expenses at 18 million, Enbridge at 39 million, and those are expenses to and -- to institute the electronic business transaction system in that -- in those service territories?

MR. HOWARD STEPHENS: I believe those are the numbers, yes, sir.

MR. BOB PETERS: Is it one where you would be seeking contribution from the retailers before embarking on that system?

MR. HOWARD STEPHENS: Certainly we see no need right now to embark on that type of an expenditure, so from the perspective that there is pressure put on us to do that, then we would be looking for -- looking to recoup those costs.

(BRIEF PAUSE)

MR. BOB PETERS: Mr. Kuczek, in the few

remaining minutes that I intend to complete my questioning of you, sir, you had involvement in the customer research survey for the Corporation, is that correct?

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: And you were aware from PUB Order 175/06 that there was a request of the Utility to develop plans to conduct this additional research --

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: -- and file those plans with the Board?

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: Would it be correct that the only plans filed with the Board were a timetable included in the last Cost of Gas Hearing?

MR. LLOYD KUCZEK: That's what I constituted as a plan, yes.

MR. BOB PETERS: And that plan was, in essence, underway and virtually complete by the time the cost -- or the -- the hearing got underway?

MS. MARLA MURPHY: Mr. Peters, maybe we can have a moment. I think we've overlooked a document here.

(BRIEF PAUSE)

MR. LLOYD KUCZEK: Can you repeat the question again, Mr. Peters? I think you have to repeat the previous question.

CONTINUED BY MR. BOB PETERS

MR. BOB PETERS: Well, let's start -- start back from PUB Order 175/06.

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: What did you understand that order required you to provide to the Board?

MR. LLOYD KUCZEK: A -- a plan to -- and how I was going to proceed with the market research.

MR. BOB PETERS: Okay. And that plan got filed?

MR. LLOYD KUCZEK: What I understand we filed was the schedule for when we were going to undertake the plan and that's what I viewed as the plan.

MR. BOB PETERS: It was the timetable?

MR. LLOYD KUCZEK: Yes, we filed that in February.

MR. BOB PETERS: All right. And -- and you filed that as part of your materials; I -- I believe it was Tab 12, attachment 6?

MS. MARLA MURPHY: Sorry, we're struggling with the back row here. There was a letter filed with the

Board on January 26th, which is not part of those material, although the same information may have been reproduced in those materials.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: All right. Well, we'll -- we'll find that, Ms. Murphy. Did you file -- did you file any other plans with the other stakeholders in the -- in the process?

MR. LLOYD KUCZEK: I don't recall doing that with the other stakeholders, no.

MR. BOB PETERS: And it became apparent in some of the questioning of Mr. Enns, that at a certain point in time involvement of the stakeholders seemed to discontinue or be stopped, is that correct?

MR. LLOYD KUCZEK: There -- the involvement of the stakeholders varied depending on whether they were brokers or CSA -- CAC and MSOS.

MR. BOB PETERS: And there was a meeting that was held between Centra and CAC/MSOS that did not include the brokers, There may have been two according to the evidence that the Board's heard?

MR. LLOYD KUCZEK: For sure, yes.

MR. BOB PETERS: And why is it the brokers were not involved in that -- in that meeting?

MR. LLOYD KUCZEK: The -- the Order directed Manitoba Hydro to undertake some research and the Order specifically said to consult with CAC and MSOS, and that they also understood that the -- why Centra would have some reservations with consulting with their brokers.

And they suggested in the Order that Centra make an effort to understand the broker concerns or -- or interests in our activities to undertake that market research. So I -- I took that as a distinction between how I would be consulting with the brokers, and that would be in adherence with the Order.

MR. BOB PETERS: So they weren't present to speak to any concerns that they had at those meetings, and subsequent reviews of the drafts?

MR. LLOYD KUCZEK: They weren't involved as much as CAC and MSOS.

(BRIEF PAUSE)

MR. BOB PETERS: Did you not perceive there would be benefit by including the retailers further in the preparation and development of the survey?

MR. LLOYD KUCZEK: It's not that I didn't perceive there being benefit. I was trying to achieve a number of objective, and one of the objectives was the timeliness of getting the market research undertaken for the hearings that were taking place in June.

So the time lines were fairly tight, and so the -- that was clearly a consideration in my decisions. I had previous discussions with Centra -- or CAC and MSOS prior to the Order coming out, and they had expressed an interest in undertaking some market research. So I wanted to involve them more bec -- to address their -- their interests.

Their budgets, as you probably are aware, are fairly low, so I though it would be a good time to undertake that as well. And, as well, I was also trying to achieve the objectives that Centra had. And we had some discussions about undertaking some market research before the Order came out and I thought it was going to -- I tried to integrate that as much as possible with this undertaking -- this activity.

MR. BOB PETERS: Do you not believe the document would be perhaps a better document or better research survey sample -- or survey document prepared, had all the stakeholders had more involvement in the process, regardless of whether time permitted or not?

MR. LLOYD KUCZEK: Well, I -- I made a judgment call in terms of how much involvement each party had. And I -- I was fairly confident that as the process moved forward, that the -- the information that -- and input that was being sought was being -- I guess, was receiving appropriate attention.

The individuals that were participating aren't experts, necessarily, in market research, so I relied heavily on eNRG to -- to consider the input provided by the external stakeholders as well as the internal stakeholders, and to use their judgement in taking that input in designing the research material and coming up with the results.

MR. BOB PETERS: In the work plan that was submitted by you, Mr. Kuczek, to the Board, there was a suggestion in there that the focus group would be conducted before the quantitative research, correct?

MR. LLOYD KUCZEK: Yes, the plan that we put in place was to try to get all the information to the Board prior to the hearings.

MR. BOB PETERS: But, as it turned out, the focus group wasn't conducted in advance of the quantitative research?

MR. LLOYD KUCZEK: No, things got delayed because of the consultations involved.

MR. BOB PETERS: And as a result of that delay then, the Order had to be inverted where the quantitative research was done first, followed by the focus group?

MR. LLOYD KUCZEK: Correct.

MR. BOB PETERS: All right, thank you. Mr. Chairman, with that answer, I do want to thank, Mr. Kuczek, Mr. Wiens, Mr. Barnlund and Mr. Stephens, and Mr. Warden for their answers. Those complete my questions.

THE CHAIRPERSON: Very good. Thank you, gentlemen and Ms. Murphy. Thank you, Mr. Peters. I believe tomorrow Mr. Holloway will be taking up your role.

MR. BOB PETERS: He will, but at one o'clock tomorrow I believe is the arranged time with the Board.

THE CHAIRPERSON: You're correct, thank you for reminding us, otherwise we would have been here, and there would have been no one here. Okay, we'll see you all tomorrow at 1:00.

MR. BOB PETERS: Thank you.

--- Upon adjourning at 4:05 p.m.

Certified Correct,

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Wendy Warnock, Ms.