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2 MANITOBA PUBLIC UTILITIES BOARD
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5
6 PRE-HEARING CONFERENCE
7 CENTRA GAS
8 2004/05 COST OF GAS HEARING
9

10
11 Before Board Panel:

- 12 Graham Lane - Board Chairman
13 Mario J. Santos - Board Member
14 Monica Girouard - Board Member
15
16
17

18 HELD AT:

19 Public Utilities Board
20 400, 330 Portage Avenue
21 Winnipeg, Manitoba
22 April 7th, 2004
23 Volume I
24 Pages 1 to 67
25

APPEARANCES

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Bob Peters)Board Counsel
Marla Murphy)Centra Gas
Jim Foran)
Karen Melnychuk)Municipal Gas
Brian Meronek)CAC/MSOS
Wendy Warnock)Court Reporter

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

2

3 THE CHAIRPERSON: Good morning, ladies and
4 gentlemen, if I may, I will call this Pre-Hearing
5 Conference to order.

6 Centra Gas has applied to the Public
7 Utilities Board for approval of rates, with respect to
8 supplementary gas, transportation to Centra and
9 distribution to customers. All rates are to be effective
10 November the 1st, 2004.

11 Centra's Application does not include any
12 changes in its primary gas sales rates, nor its basic
13 monthly charge. The setting of primary rates will be dealt
14 with in accordance with the quarterly rate setting
15 methodology, approved by the PUB.

16 Centra will update its Application for
17 actual PGVA and gas cost deferral account balances, and
18 update forward market prices, prior to the Public Hearing.
19 Centra will publish a notice indicating approximate impacts
20 on rates, once this information is available.

21 As part of its Application, Centra is also
22 requesting final approval of 2003/04 gas costs, non-primary
23 PGVA and other gas cost deferral account balances, as of
24 March 31st, 2004.

25 Final approval of interim orders since the

1 Executive Counsel of the -- Executive Director of the PUB
2 and Secretary to the Board, Hollis Singh, Associate
3 Secretary to the Pub, and Bob Peters, Board Counsel.

4 I now call on Mr. Bob Peters to make further
5 introductions, to explain the purpose of the pre-Hearing
6 conference, to introduce the notice of application and pre-
7 Hearing conference, to introduce the draft timetable for
8 subsequent discussion.

9 Mr. Peters will also comment on the intended
10 scope of the Cost of Gas Hearing, indicate proposed
11 Intervenor and provide an outline of the Board's position
12 vis-a-vis Intervenor funding. Mr. Peters...?

13 MR. BOB PETERS: Thank you. Good morning,
14 Mr. Chairman, Members of the Board, ladies and gentlemen.
15 For the record, my name is Bob Peters and I appear as Board
16 Counsel this morning.

17 I am joined by the Board's Engineering
18 Advisor Mr. Myron Kostelnyk of Energy Consultants
19 International on my right and also joined by the Board's
20 Accounting Advisor, Mr. Brent McLean of PriceWaterhouse
21 Coopers on my left.

22 Mr. Chairman, on behalf of those present
23 today I want to take the liberty of welcoming you to your
24 first natural gas proceeding as Chairman of the Board. The
25 parties present and represented today want to assist you

1 and your fellow Board Members in understanding the
2 application and the related issues and I'm certain that the
3 parties will welcome your questions as they arise.

4 You asked me to talk about the purpose of
5 the pre-Hearing conference and those purposes include
6 identifying the prospective Intervenors, understanding
7 their reasons for intervention, to provide an opportunity
8 for Intervenors to cooperate and avoid duplication of
9 interventions and to attempt to finalize a timetable for
10 the orderly exchange of evidence and information.

11 To assist in the orderly exchange of
12 information and the creation of a record, I want to ask the
13 Board to mark as two (2) exhibits at this time, number 1
14 would be the Notice of Application and Pre-Hearing
15 Conference.

16 This was published by Centra Gas Manitoba
17 Inc. and, in due course, Centra will file an affidavit
18 verifying its publication. I have additional copies to
19 those that I have circulated prior to the Hearing if
20 anybody needs another copy.

21 Exhibit 2, Mr. Chairman, that I would ask be
22 marked, would be the draft Timetable dated March 24th,
23 2004. And I understand that draft has also been circulated
24 by Centra to various parties. I've handed out copies and I
25 have extra copies should they be needed.

1 So, with your permission, we'd have those
2 marked.

3 THE CHAIRPERSON: Thank you, Mr. Peters.
4 Exhibit 1 is the Notice, Exhibit 2 is the draft timetable.
5 Please continue.

6

7 --- EXHIBIT NO. PUB-1: Notice of Application and Pre-
8 Hearing Conference.

9

10 --- EXHIBIT NO. PUB-2: Draft Timetable dated March
11 24th, 2004.

12

13 MR. BOB PETERS: Yes, thank you. In terms
14 of the scope of the Hearing, Mr. Chairman, Board Members,
15 ladies and gentlemen, I've indicated that one of the
16 purposes of this pre-Hearing conference is to have
17 prospective Intervenors identify their reasons for seeking
18 intervention status.

19 The reasons for intervention are generally
20 tied to the scope of the proceedings before the Board and,
21 in my comments, I want to address the issue of scope as it
22 relates to the review of the blank page analysis and also
23 as it relates to the demand rates for the high volume firm
24 class.

25

 In the present application, and particularly

1 as found in Tab 2 of Centra's application binder which was
2 summarized by the Chair, there's a listing of the various
3 requests that Centra is making of the Board.

4 Included in the list is one item that I
5 believe requires further discussion and explanation and
6 that is Centra's response to the Board's directive which
7 was number 8 on page 100 in Order 118/03. The Board
8 directed Centra file the blank page analysis with the Board
9 by August 31st, 2003.

10 That blank page analysis, which is now more
11 formally known as Centra's supply, storage and
12 transportation portfolio review has been included under Tab
13 4 of Centra's application as attachment 1.

14 There is considerable history leading to the
15 blank page analysis which I will not recount but as noted
16 in Order 118/03, particularly in Section 8.5.2 on page 40,
17 the review of Centra's overall gas supply portfolio now
18 known as the blank page analysis was ordered by the Board
19 in 1995 with the expectation that such a review would
20 determine the optimum portfolio mix having no regard to any
21 existing supply or storage contracts or any transportation
22 arrangement.

23 After the blank page analysis was filed
24 August 28th, 2003, the Board heard from the parties and the
25 Board suggested this matter could now be reviewed in the

1 context of a subsequent Cost of Gas Hearing.

2 Well, in this Cost of Gas Application now
3 before the Board, there is evidence by Centra in Tab 4 to
4 the effect that there are no costs flowing from or related
5 to any recommendations of the report included in this Cost
6 of Gas Application.

7 The Application goes on to indicate that
8 Centra is not requesting any approvals from the Public
9 Utilities Board, related to the IGC Report, in its
10 Application. And also, Centra indicates in Tab 4, that
11 while it has held further discussions with Trans Canada
12 Pipelines to explore alternatives, to this point there are
13 no specific plans or options that have been identified by
14 the utility.

15 So, Mr. Chairman, Board Members, ladies and
16 gentlemen, I raise the issue of the blank page analysis and
17 Centra's pre-filed evidence in respect of that document, to
18 raise the issue of what should be done with the blank page
19 analysis, now that it's formally filed.

20 Put another way, is a detailed review of the
21 blank page analysis within the scope of this Proceeding or
22 not? If the blank page analysis is not to be examined in
23 depth in this Proceeding, when will it be examined by the
24 Board and other interested parties, and will the blank page
25 analysis be examined prior to Centra having to make

1 commitments?

2 Well, Mr. Chairman and Board Members, I have
3 the easy task of raising such questions as to the scope of
4 the upcoming Proceedings in my opening comments. I suggest
5 that the issue, specifically the blank page analysis, be
6 addressed by Centra's counsel, in her opening comments, to
7 indicate her client's suggestion as to the process to have
8 the blank page analysis reviewed by the Board, and other
9 interested parties, prior to commitments being made, both
10 monetary commitments and contractual commitments.

11 If Centra is able to put forward its
12 position, then other parties should also be asked for their
13 position on the review of the blank page analysis.

14 Mr. Chairman, and Board Members, I indicated
15 there were two (2) matters I wanted to speak on, in respect
16 of the scope. The additional matter related to the scope
17 of this Proceeding is the demand rates charged to the
18 approximate ninety (90) customers that comprise the high
19 volume firm class.

20 In the Board's Order 45/04, dated March 25
21 of 2004, the Board wanted to provide another opportunity
22 for members of the high volume firm class, to understand
23 the issues surrounding that class's demand rates.

24 The Board also indicated in Order 45/04,
25 that the specific methodology to correct the billing

1 differences that have arisen, will be determined by the
2 Board at a later date, following an opportunity for
3 affected customers to make submissions to the Board.

4 The Board was contemplating these high
5 volume firm demand rate issues being explored in this Cost
6 of Gas Proceeding. I will invite Centra's counsel to
7 advise the Board as to what steps Centra has taken, or will
8 be taking, to ensure the approximate ninety (90) customers
9 in the high volume firm class, are aware of the billing
10 differences that have arisen in their accounts.

11 Are they aware of Order 45/04, are they
12 aware of the Cost of Gas Hearing, and that they can provide
13 their input on the demand rate issues to the Board?

14 From a procedural perspective, Mr. Chairman,
15 and Board Members, the Board may want to consider blocking
16 off a specific time during the Hearing, to hear both
17 evidence and presentations on this issue, if there is
18 interest in -- in doing so.

19 Mr. Chairman, I see that in addition to
20 Centra's counsel of Ms. Murphy and Mr. Foran, there are
21 counsel and representatives in attendance from prospective
22 Intervenors. After I have completed my opening comments,
23 you may want to call on Mr. Brian Meronek, on behalf of the
24 Consumer's Association of Canada (Manitoba), and the
25 Manitoba Society of Seniors, as well, Ms. Karen Melnychuk

1 on behalf of Direct Energy Marketing Limited, and its
2 Manitoba Gas Broker, Municipal Gas.

3 I can also indicate that by fax and
4 telephone messages, Simplot Canada Limited and MacDon
5 Industries are seeking Intervenor status. Both cite lack
6 of notice as the reason for their non-attendance at today's
7 Pre-Hearing Conference.

8 Before I close, Mr. Chairman, and Board
9 Members, and still on the topic of Intervenors, I will
10 remind the Intervenors who may be seeking an order for an
11 award of costs, that the Board's cost order, as well as its
12 Rule 41, sets out a fourfold test, that provides the Board
13 may award costs to an Intervenor, who has:

- 14 1. Made a significant contribution that is
15 relevant to the proceedings, and
16 contributed to a better understanding by
17 all parties of the issues before the
18 Board.
- 19 2. Participate in the Hearing in a
20 responsible manner, and cooperated with
21 other Intervenors who have common
22 objectives in the outcome of the
23 proceedings in order to avoid duplication
24 of interventions.
- 25 3. Insufficient financial resources to

1 present the case adequately without an
2 award of costs; and
3 4. A substantial interest in the outcome of
4 the proceedings and represents the
5 interests of a substantial number of
6 ratepayers.

7 In closing, Mr. Chairman, and subject to any
8 questions you or your colleagues may have of me, that will
9 conclude my opening comments. I suggest that you now
10 canvass the other parties present for their introductions,
11 opening comments and any positions they may have on the
12 matter of the blank page analysis and the high volume firm
13 demand rate issues.

14 Thank you, Mr. Chairman and Board Members.

15 THE CHAIRPERSON: Thank you, Mr. Peters.

16 With that background, I will now call on the
17 parties present to identify and introduce themselves and
18 the organizations that they represent together with any
19 opening comments they may have, both of a general nature
20 and also with respect to the blank page analysis and the
21 high volume firm issues.

22 After we have completed this phase of the
23 conference, I will turn to the specific matter of the
24 stated purpose and intentions of the Applicants for
25 Intervenor status and call upon their representatives and

1 then upon Centra.

2 I now call on Ms. Murphy for Centra. Ms.
3 Murphy, along with providing general remarks, we would also
4 like to hear from you with respect to the blank page
5 analysis and the high volume firm issues. Ms. Murphy...?

6 MS. MARLA MURPHY: Thank you, Mr. Chairman.
7 Good morning. I am Marla Murphy. I'm counsel for Manitoba
8 Hydro and Centra Gas. I have with me this morning my co-
9 counsel, Mr. Jim Foran of Aikins MacAulay who will be
10 appearing with me throughout this proceeding.

11 To Mr. Foran's left is Darren Rankie who is
12 the Manager of Regulatory Services. And on my right is Mr.
13 Vince Warden who is the Vice President and CFO for Centra
14 Gas. And to my -- Mr. Warden's right is Robin Wiens who's
15 the Division Manager of Rates and Regulatory Affairs.

16 And immediately behind me is Christine
17 Foulkes, who's the Coordinator of Regulatory Services for
18 Centra Gas.

19 I just want to take a moment and give a
20 brief summary of the application that Centra's filed,
21 although you've done a very good job of that already so I
22 won't belabour the point, our application was filed seeking
23 approval to overall decrease the supplemental gas
24 transportation and distribution rates to be effective on
25 August 1st, 2004.

1 Those rates were last updated on August 1st,
2 2003. Supplemental gas rates recover the cost of gas
3 purchases, primarily from US sources. They're generally
4 required under colder than normal conditions.

5 Transportation to Centra is the component of
6 rates that recovers the costs associated with transporting
7 gas supplies from Alberta to Manitoba, for the storage of
8 gas during the summer months and for the re-delivery to
9 Manitoba during the winter.

10 The distribution to customers component of
11 Centra's rates recover the costs associated with operating
12 the utility and the costs related to unaccounted for gas.
13 The only component of Centra's distribution rates that's
14 proposed to be adjusted in this application is the
15 unaccounted for gas component.

16 In its application, Centra is seeking
17 approval of the following rate changes. First, a decrease
18 in estimated non-primary gas costs of approximately \$5.2
19 million for the 2004/05 fiscal year which will be included
20 in revised supplemental gas, transportation and
21 distribution based rates.

22 Secondly, Centra's seeking a refund -- to
23 refund to customers approximately \$14.5 million of the
24 estimate balance in various non-primary gas PGVA and gas
25 cost deferral accounts to March 31st, 2004 with carrying

1 costs to October 31st, 2004 which will be refunded through
2 supplemental gas, transportation and distribution rate
3 riders.

4 Centra's current approved rates included
5 rate riders that are recovering approximately four point --
6 sorry, \$4.7 million of non-primary gas PGVA and other gas
7 costs deferral balances for the period August 1st, 2003 to
8 July 31st, 2004.

9 As you indicated this morning, Mr. Chairman,
10 it's Centra's intention to update its application for
11 actual PGVA and gas cost deferral account balances as of
12 March 31st, 2004 and to update the forward market prices
13 prior to the public Hearing.

14 You covered this morning, Mr. Chairman, the
15 other approvals and -- and matters that Centra intends to
16 address in this application and I won't repeat them again.

17 In terms of witnesses, it is Centra's
18 intention to call one panel of witnesses during the course
19 of this Hearing, that will include the Vice President of
20 Finance, Administration and CFO for Centra, members of gas
21 supply management and a cost allocation witness.

22 In order to facilitate the discussion of
23 some of the more specific issues that we anticipate will be
24 addressed, there may be some witnesses that could appear
25 for shorter periods or guest spots that would facilitate

1 that kind of discussion and which we believe can be
2 arranged through Board Counsel as the Hearing progresses.

3 Mr. Peters has asked that we outline the
4 company's views on the scope of the blank page analysis
5 review and I want to take just a minute to do that.

6 As you may be aware, the blank page analysis
7 was filed with the Board and with the Intervenors to the
8 2003/04 GRA in August of 2003.

9 That report concludes that the Company's
10 existing gas supply portfolio has served its customers
11 reliably and at reasonable cost, and that there's no
12 urgency with respect to moving from the existing portfolio
13 to a new portfolio, which firms up the Company's
14 anticipated peaking requirements.

15 Centra agrees that there is no urgency to
16 pursue changes to its gas supply portfolio, because of the
17 surplus capacity on TCPL. As is indicated in its evidence,
18 that it intends to monitor that close -- that situation
19 closely.

20 As you're aware, there are no costs flowing
21 from or related to any of the recommendations in IGC's
22 report, included in this Application and the Company is not
23 requesting any approvals from the PUB, related to that
24 report.

25 For these reasons, we ask that the review of

1 the blank page analysis be contained within reasonable and
2 responsible parameters.

3 During this Hearing, Centra Panel Members
4 will be available to respond to the findings of the report,
5 and to address the consistency of the Company's proposed
6 supply arrangements to those findings.

7 Centra does not believe that it's reasonable
8 to require it to devote a disproportionate amount of time
9 and expense to answering Information Requests, or the
10 Public Hearing process on that report.

11 Debating the merits of Salt Cavern storage
12 at this point, is not an appropriate exercise, given that
13 Centra has not made a determination as to whether it
14 intends to pursue that option.

15 We believe that a significant consideration
16 to be taken into account is regulatory efficiency, based on
17 the circumstances we've outlined. We would ask that the
18 PUB give affect to regulatory efficiency in dealing with
19 the blank page analysis as part of this Proceeding, and
20 direct parties to conduct themselves accordingly,
21 recognizing that the blank page analysis review is one (1)
22 component of this proceeding, and is not the subject of any
23 request, approval or expenditure.

24 Centra's present determination, as is
25 reflected in this Application, contemplates the short term

1 contract for gas supply. We've also indicated our
2 intention to monitor the TCPL capacity closely over the
3 period.

4 Centra will keep the Board apprised of its
5 intentions with respect to decisions that are made, and
6 certainly does not intend to make any commitments regarding
7 storage before the next Cost of Gas Hearing, likely to be
8 filed in early 2005, and I hope that addresses Mr. Peter's
9 question of if not now, when?

10 We believe that it's not appropriate at this
11 point to make those long term decisions, given that we're
12 making short term decisions for gas supply and will be back
13 before the Board before there's a long term decision made.

14 If I could take just a minute to deal with
15 the issue of the high volume firm, I can advise the Board
16 that it's my understanding that rates have been amended in
17 accordance with Order 45/04, that is that as of March 1st,
18 2004, customers in the high volume firm class, are being
19 billed, based on average monthly demand.

20 I've also been advised that coincidence with
21 -- coincident with service of the notice and the time
22 table, with respect to this Application, customers in the
23 high volume firm class were provided with an energy market
24 comment, with explained the return to the average peak
25 demand as a result of Order 45/04, and indicated that the

1 issue of the shortfall or surplus would be addressed in
2 this Hearing.

3 The determination of individual customer
4 impacts, which was contemplated by the Board's Order is
5 underway, however, March data is just now being finalized,
6 so those calculations haven't been completed in their
7 entirety.

8 Once that work is completed, I understand
9 that the company intends to contact these customers through
10 their marketing reps, in order to discuss the impact on
11 customers on an individual basis.

12 I had some discussions with Board Counsel on
13 this matter, related to consideration of setting aside some
14 time during the Hearing to discuss that issue, and this is
15 certainly something that Centra would encourage, and I
16 think until we know the extent of customer interest and
17 involvement, it's difficult to define precisely what that
18 will be.

19 But certainly it -- you know, later in
20 August before the Hearing begins, we could look at setting
21 aside a defined time to have presentations, or evidence,
22 whatever was required in terms of the high volume firm,
23 issue.

24 Mr. Chairman, that concludes the Company's
25 opening remarks, we will probably have some comments on

1 applications for intervention that may be put forward, and
2 at the appropriate time we'd also like an opportunity to
3 speak to the time table, thank you.

4 THE CHAIRPERSON: Thank you, Ms. Murphy. I
5 will now ask each applicant for Intervenor status, that is
6 present today, to introduce themselves and make a few brief
7 remarks. And if they care to, to make some introductory
8 remarks on the specific matter of the blank page analysis
9 and/or the high volume firm issues.

10 To begin with, Mr. Meronek, for CAC/MSOS.
11 Oh, Meronek, I apologize.

12 MR. BRIAN MERONEK: That's okay, it's
13 probably one (1) of the hardest things you'll have to do in
14 the -- in your chair is pronounce -- to pronounce my name.

15 In any event, Mr. Chairman, Members of the
16 Panel, good morning, and I especially echo Mr. Peter's
17 remarks about welcoming you to the -- to your engagement
18 and these Intervenors look forward to -- to a long and
19 productive involvement in that process with you at the
20 helm.

21 On my -- I'd like to introduce my clients'
22 representatives, on my left I have Mr. Michael Silver who's
23 the recently appointed Executive Director of the Manitoba
24 Society of Seniors. Because we are an impecunious
25 organization, I asked Mr. Silver to dress appropriately, he

1 has disappointed me in that regard.

2 On his left Gloria Desorcy is the Executive
3 Director of the Consumers Association of Canada, Manitoba
4 Inc. and we have been Intervenors in gas matters, well,
5 certainly since God was a child. I've been personally
6 involved since 1998 and I can say, with a certain degree of
7 humility, we -- we are the major Intervenor in -- in most
8 respects in these matters and have been for some
9 considerable length of time.

10 Not to take away from Ms. Melnychuk, she's
11 obviously very integral, but we -- we kind of take the lead
12 in terms of all aspects. And so we are here today with the
13 same expectation of involvement, a wide scope of
14 involvement but no unbridled.

15 We have certain issues that we -- we
16 annually deal with, either in cross-examination or in the
17 production of evidence or both and in argument and I'll go
18 into that later, but I do want to address the -- the issue
19 of the blank page analysis.

20 Mr. Peters stole my thunder, as he often
21 does, but -- and I don't want to go into the history of the
22 blank page analysis because your colleagues, Mr. Chairman,
23 are well aware of the history of this, but just by way of a
24 Coles Notes version, back in 1998 Centra had prepared a --
25 a like document dealing with their whole -- its whole

1 approach to gas supply, capacity management, storage and
2 all of these matters affecting the cost of gas.

3 And as you're no doubt aware, the cost of
4 gas is, by far, the most expensive aspect or financially
5 significant aspect of the operations. Without getting too
6 -- putting too fine a point on it, the gas -- the sale of
7 the molecules is any -- goes from two-thirds to three-
8 quarters, sometimes even higher of the overall revenue
9 requirements of the company.

10 So it's a significant aspect of the
11 operations and the -- the whole point behind a blank page
12 analysis is to -- to have a kind of a bird's view into the
13 -- into the future to try to determine the company's needs
14 and wants and abilities to be able to organize its affairs
15 such as to provide the least cost of gas in a prudent way
16 to the consumers, bearing in mind that the cost of gas is a
17 direct flow through.

18 In other words, the company doesn't make a
19 penny on it. And the company's mandate is to do the best
20 job it can and -- and the Intervenor, or the consumers
21 ultimately, live with that unless it can be demonstrated
22 that they haven't acted prudently.

23 But I emphasize that it's a -- it's a --
24 there's a no return component to this so, on the one hand,
25 Centra does the job -- the best job it can but there's no,

1 certainly, financial incentive for it.

2 On the other hand, the consumers are the
3 ones who bear the cost of the fruits of the labour that --
4 that Centra Gas engages in. So it's a very important
5 component to the consumers of natural gas. And the blank
6 page analysis has been recognized for years as being an
7 integral aspect of the operational component of the -- the
8 company's business.

9 And since 1998 the Board and the Intervenors
10 have been struggling to get Centra to provide a
11 comprehensive portfolio analysis that is not contingent
12 upon any predilections or any pre-conceived notions but to
13 have -- to have it opened up to assumptions that test
14 various options.

15 And throughout the course of recent history,
16 Centra has not, for reasons that, at this point in time,
17 are not relevant, has not complied with the Board's
18 repeated requests, until latterly, when it did engage its
19 consultants, at some considerable cost, I think it was
20 around four hundred and fifty thousand dollars (\$450,000),
21 maybe more by this point in time, and has tabled finally,
22 the report, in accordance with the directions of the Board,
23 and that was in August, and Ms. Murphy is correct, it was
24 supplied to the Intervenors.

25 There has -- there has been some

1 correspondence, I don't have it with me, but it's certainly
2 on -- it's certainly in the files of everyone, to the
3 extent that the Intervenors wanted this dealt with sooner,
4 rather than later.

5 Ms. Melnychuk will speak on her own behalf,
6 but she was even more strident than I was in terms of when
7 it should be dealt with. I was satisfied that it could be
8 dealt with at this point in time, rather than in the fall.

9 In any event, it was one (1) -- it was with
10 some degree of surprise, when I got the application last
11 week or ten (10) days ago, to learn -- to get an insight as
12 to what Centra is intending to do.

13 On the one (1) hand, it -- it seems fairly
14 cogent -- cogent and forceful to say, we're not going to do
15 anything, we're satisfied, let's wait until we need to do
16 something, and then we'll look at it.

17 But, as -- as appealing as that may sound, I
18 think it's fairly -- it's playing a fool's game, if I might
19 say, because it takes months, and months, sometimes, to
20 reorganize your -- your supply contracts. It takes years
21 to reorganize your -- your arrang -- your long term
22 arrangements with respect to storage, and these other
23 matters, in order to -- to come up with what you deemed --
24 or what is deemed by the Board to be an appropriate course
25 of conduct.

1 I harken back, Mr. Chairman, to the -- the
2 early 1990s, when the long range storage contracts were
3 negotiated and entered into with Centra and A & R. I am
4 not going to debate the wisdom of those arrangements, they,
5 at the time, were -- were no doubt very significant to the
6 benefit of the consumers, in order to -- to defer or defray
7 costs, but the contracts were for twenty (20) years in --
8 in length.

9 And that Hearing process was conducted
10 months before the -- the decision was made to go with it,
11 after contracts had been negotiated, after studies had been
12 made. And -- and I can say from experience, quite frankly,
13 it was a totally unpalatable situation, to have the die
14 cast, as it were, to come before the Board and make a
15 determination, when -- when really there were -- the
16 affliction (sic) of time made it impossible to investigate
17 and have other arrangements.

18 So, all I'm saying as a -- as a caveat here,
19 sir, and Members of the Board, is that these things take
20 time. You don't have to act on them right away, but you
21 have to have some kind of a plan.

22 Now, we've spent -- the -- the company's
23 spent half a million dollars, which the ratepayers are
24 paying, I think that sooner, rather than later, is the time
25 to look at this in depth. I'm a bit squeamish about words

1 like, ask -- be reasonable and responsible and temper your
2 Information Requests, and don't look too far into it.

3 I'm -- you know, these are my words, but you
4 can't be half pregnant about this. Either you look at the
5 -- at the report, and it -- and in my humble submission you
6 need -- you need a counter-balance, you need someone to
7 look at this report, either give it its blessings, and I'm
8 talking about the Intervenor, suggest changes, make
9 recommendations for -- for a different approach, if -- if
10 that's the way it goes.

11 The history of our intervention, sir, has
12 not been totally adversarial or a matter of advocacy, we
13 bring information before this Board, so that the Board can
14 make a -- a deliberate and informed opinion, even if we
15 agree with -- with what the Company's doing, I think that's
16 important.

17 So what I'm saying is, I don't want to see
18 any language in any Board Order that says that we should
19 temper and -- and treat this blank page analysis as a hot
20 plate, that we just kind of touch it and -- and you know,
21 kind of look at it in -- in a very scary fashion.

22 I'll speak to the matter of costs later but
23 as long as -- as long as there is a thorough vetting of
24 this important aspect of the operations, then I think it
25 should be conducted now and not later when, perhaps, Centra

1 has made moves to -- which may be, at the end of the day,
2 and I'm not saying they will be, counter to -- to the
3 intuition of the Board or the Intervenors.

4 Or if -- if Centra comes along and says,
5 this is what we're proposing to do and if there are other
6 options, there's no time to implement them. So I'm, kind
7 of, long-winded but I'm fairly passionate about this and --
8 and my suggestion is that the Board ought to look at this
9 as the most important component of this Hearing and should
10 take a hard look at the -- at the analysis and come to
11 fairly strong conclusions about it to the extent that we
12 can be guided by -- with a road map to the future.

13 With respect to the high volume matter, it's
14 -- I believe it's a matter that is to be dealt with within
15 the -- the ambit of a particular class of -- of consumers
16 of whom I don't represent any, and it doesn't have an
17 impact on the residential consumers. So, while I'll be
18 interested in the debate, I won't be participating in that
19 aspect.

20 I have other comments with respect to the
21 scope but I'll save those under your direction, sir. Thank
22 you.

23 THE CHAIRPERSON: Thank you, Mr. Meronek.
24 Now, we'll move on to Ms. Melnychuk for
25 Direct Energy and Municipal Gas. Ms. Melnychuk, I would

1 appreciate some comments from you.

2 MS. KAREN MELNYCHUCK: Thank you, sir.
3 Good morning. As you're aware, I'm Karen Melnychuk. I'm
4 Director of Manitoba for Municipal Gas, a division of
5 Direct Energy Marketing Limited.

6 Direct Energy, on behalf of its operating
7 division in Manitoba, Municipal Gas, has an interest in
8 this proceeding and, as such, has registered before the
9 Manitoba Public Utilities Board to intervene in this
10 application.

11 As a retail marketer in the province of
12 Manitoba, Municipal Gas is generally concerned about the
13 interface of the distribution utility with competitive
14 market operations and with the nature and costing of
15 competitive services provided by the utility.

16 Direct Energy is particularly interested in
17 Centra's response to the PUB directives from Order 118/03
18 related to gas supply matters including the review of its
19 gas supply portfolio.

20 The major issue that is of interest to
21 Direct Energy is the expiry of Centra's primary gas supply
22 contract with Nexen on October 31st, 2004. Direct Energy
23 understands, from the evidence of Centra, that an RFP was
24 issued to potential suppliers of primary gas to provide
25 this service effective November 1st, 2004 and that the

1 responses to the RFP were due back to Centra on January
2 30th of this year.

3 Centra indicated that it is currently in the
4 process of conducting an extensive evaluation of the
5 proposals received from potential suppliers and depending
6 on the status of the contract at the time Centra will also
7 consider the potential impact of the contract renewal when
8 it updates its cost of gas forecast prior to the public
9 Hearing of this application.

10 Under Tab 4 of its supporting evidence,
11 Centra indicated that by way of correspondence dated
12 December 18th, 2003, the PUB confirmed that the matter of
13 the blank page analysis would be reviewed at the time of
14 the next Cost of Gas Hearing.

15 Notwithstanding that the IGC report has been
16 included as part of this filing, there are no costs flowing
17 from or related to any recommendations of the report
18 included in this Cost of Gas Application. Centra is not
19 requesting any approvals from the PUB related to the IGC
20 Report in its application.

21 Direct Energy submits to the PUB that this
22 matter is relevant to this proceeding and should be heard
23 in this proceeding for the following reasons. The review
24 of Centra's overall gas supply portfolio contained in Order
25 118/03 was mandated by the PUB back in 1998.

1 By way of correspondence dated December 18th
2 of last year the PUB did confirm that the matter of the
3 blank page analysis would be reviewed at this time -- at
4 the time of the next Cost of Gas Hearing.

5 Direct Energy submits that this review is
6 way overdue and that Centra's proposition to further defer
7 this matter effectively amounts to seeking a variance of
8 the PUB's previous decision.

9 Centra has not presented any compelling
10 argument in its favour of such a variance. The argument
11 that the results of the analysis need not be reviewed in
12 this case, because they have no rate making implications in
13 the test year lacks merit.

14 Direct Energy submits that at a minimum,
15 there are policy issues raised in the IGC Report, that are
16 relevant and applicable to the test year.

17 The issues around flexibility and diversity
18 of gas supply arrangements are examples of such policy
19 issues. While, these policy issues may not have any rate
20 making implications per se, in the test year, they may have
21 implications on system supply, reliability and the ability
22 of Centra to accommodate direct purchase transactions.

23 Direct Energy submits that these matters are
24 relevant to the PUB's considerations in this Proceeding.

25 Direct Energy would like the opportunity in

1 this Proceeding, to examine the terms and conditions of the
2 contemplated primary gas supply contracts, to ensure that
3 they allow sufficient flexibility to accommodate direct
4 purchase transactions.

5 More specifically, the primary gas supply
6 contract should, one (1) address volume variances as a
7 result of direct purchase activity, and secondly, preserve
8 real customer choice without prejudice to customers
9 choosing to leave system, customers choosing to return to
10 system, or customers choosing to stay on system.

11 Failing the opportunity to review the terms
12 and conditions supporting the new primary gas contract,
13 prior to its effective date of November 1st this year,
14 would put all interested parties before a fete au complete,
15 that is having no opportunity to examine the terms and
16 conditions of the new contract, and no chance to convey any
17 concerns, if any, to the PUB.

18 Centra is of the view that the issue of
19 diversification has been addressed through the lowest cost
20 option identified through the RFP process. Parties to this
21 Proceeding should be given the opportunity to debate
22 Centra's interpretation, and linkage of system supply
23 diversity to a least cost option.

24 For all of the above reasons, Direct Energy,
25 on behalf of Municipal Gas, urges the PUB to reject

1 Centra's contention that the IGC Report and Centra's
2 response, should not be heard in this Proceeding.

3 Thank you.

4 THE CHAIRPERSON: Thank you, Ms. Melnychuk.
5 Do you have any view on the high volume firm issue?

6 MS. KAREN MELNYCHUK: No, we don't, sir.

7 THE CHAIRPERSON: I'd appreciate your
8 assistance in understanding a bit more, the intended role
9 in place of Direct Energy/Municipal Gas, at the upcoming
10 Hearing.

11 As I understand it, Municipal Gas is a very
12 specific proprietary interest, and how would providing
13 Direct Energy/Municipal Gas intervening status, assist the
14 Board in discharging its public interest responsibilities?

15 MS. KAREN MELNYCHUK: Municipal Gas is a
16 natural gas marketer, and the Manitoba market is
17 deregulated, so our interests are -- you know, we wish
18 other marketers were here intervening as well. But our
19 interest is to make sure that the market stays open, and
20 that customers in the Province of Manitoba have every
21 option that they can, in purchasing their natural gas
22 supplies.

23 THE CHAIRPERSON: Thank you. Unfortunately
24 we're unable to hear today from Simplot and MacDon,
25 although both parties have filed by fax, their Intervenor

1 request form. Have they been shared, by the way, Mr.
2 Peters, with the other Intervenors?

3 MR. BOB PETERS: I believe Man -- Centra Gas
4 has them, I'm not sure if My Friends, Meronek and Melnychuk
5 have them. They're indicating they don't, so my apologies,
6 they have not yet been circulated, but I will do so.

7 THE CHAIRPERSON: I don't believe we have
8 any other parties seeking Intervenor status here with us
9 today. I'm wondering, Ms. Murphy, if you have any other
10 further comments on the blank page analysis issue, after
11 having heard from the two (2) Intervenor Applicants?

12 MS. MARLA MURPHY: We do, if I could just
13 have a moment.

14

15 (BRIEF PAUSE)

16

17 MS. MARLA MURPHY: Sorry, there's just a
18 couple of things that I want to address. Firstly, Mr.
19 Meronek, on behalf of CAC, has suggested that we need to
20 have an in depth review and -- and certainly Centra agrees
21 that this is the appropriate time to review this report.

22 The question is: What's reasonable and
23 responsible in making that review and I think you have to
24 do that in the context of what we're dealing with in terms
25 of the application and also in the context of what the

1 finding of the reports were.

2 Page 138 of the report concludes that what
3 Centra is doing is appropriate, that the portfolio is being
4 adequately served, it's being responsibly served and it's
5 being done at a reasonable cost.

6 And it goes on to comment that
7 "Centra should retain sufficient
8 flexibility to move towards its optimized
9 portfolio at a pace and by means of their
10 choosing and only by retaining that type
11 of flexibility will Centra be in a
12 position to take advantage of
13 unanticipated opportunities for the
14 benefit of their customers."

15 And that's the position that we find
16 ourselves in. We're looking at a short-term contract at
17 this point. We're certainly open to review of that
18 contract at this point and we need to have a plan.

19 We need to have a long term plan that Centra
20 needs to continue to work towards and, as I've indicated
21 already, we'll -- we'll continue to keep the Board apprised
22 of that plan and we'll be back here, I suspect, in February
23 of 2005 with our next Cost of Gas filing which,
24 unfortunately, won't be very long after we finish this one,
25 just in terms of the timing that we're dealing with.

1 But -- but we will be before the Board and
2 there will be opportunities to look at longer term
3 considerations throughout.

4 I also want to just clarify, I think Ms.
5 Melnychuk has a bit of a different interpretation on -- on
6 what our position is than what I hope I've conveyed to the
7 Board and that is that we're not looking to defer the
8 review of this application. We think this is the
9 appropriate forum.

10 And I think that the comments that both Ms.
11 Melnychuk and Mr. Meronek made in terms of looking at other
12 alternatives is appropriate. I think that this is the
13 forum to do that.

14 If there are other suggestions, if there's
15 concern that there's been something overlooked in that
16 report, that this is the appropriate time to bring that
17 forward and Centra can then take that into account, can
18 look at what that means in terms of their long term
19 planning or convey to the Board its views as to why that
20 alternative might not be appropriate and -- and we
21 certainly would welcome that as being an appropriate part
22 of this Hearing.

23 I think those conclude our comments with
24 respect to the blank page analysis. I can perhaps clarify
25 the issue of notice that's come up for Simplot and MacDon.

1 I can do that at this point if you'd like or I can do it a
2 little bit further down the road, whichever you prefer.

3 THE CHAIRPERSON: Please, proceed.

4 MS. MARLA MURPHY: We have -- I have with
5 us this morning the affidavit of service which relates to
6 publication of the notice in the papers as required by the
7 Board's direction and also the service on special contract
8 customers, high volume firm, mainline, and interruptible
9 customers.

10 There was a series of discussions with
11 Simplot that took place. I have with me a copy of the
12 signature of a Mr. Edderton (phonetic) at Simplot who
13 signed for the application on March 3rd. I also have a
14 copy of an e-mail that was sent on March 26th which include
15 -- was to -- sent to Hani Reid and included a copy of the
16 notice and the timetable.

17 So I'm not sure what has happened to that in
18 the interim but -- but from Centra's perspective that
19 notice was given. I'm also advised that MacDon was served
20 by email with the notice and with the proposed timetable
21 and it was sent on March 30th to four (4) individuals, Gary
22 Giesbrecht, Steve Ward and Paul Smith at MacDon and to Bill
23 Carroll at his personal email address.

24 So, from Centra's perspective notice has
25 been given and we'll -- we'll certainly file the affidavit

1 to that effect.

2 THE CHAIRPERSON: Thank you, Ms. Murphy.
3 We will take the matters that we've just discussed under
4 advisement and provide the Board's decisions and direction
5 on the matter of the blank page analysis and HVV issues, et
6 cetera, in our order on -- with respect to Intervenor
7 status.

8 I now want to turn to the matter of
9 applications for Intervenor status. And I have a number of
10 questions to ask of the parties seeking status. Firstly,
11 Mr. Meronek, for CAC/MSOS, for the record, pursuant to
12 Board draft Order 26/01, you have completed a written
13 request to intervene which has been filed with us.

14 And you stated the nature and reasons for
15 intervention, I'm wondering whether you'd just confirm the
16 nature and reason for intervention?

17 MR. BRIAN MERONEK: It's a good thing I'm
18 not a voter in Florida because I just noticed that in
19 paragraph 7 I filled an X where the questions were asked so
20 the X could mean yes or no.

21 I hope nothing -- no election turns on what
22 I have done.

23 THE CHAIRPERSON: No hanging chaps.

24 MR. BRIAN MERONEK: But the point -- I
25 really want to emphasize that -- that we will be appearing

1 throughout the Hearing, it depends on the scope of the
2 Hearing as to whether we'll be participating with the
3 production of evidence.

4 We hope to, but that will be determined by
5 the Board, in terms of the scope of the blank page
6 analysis. I don't anticipate any other evidence being
7 called.

8 We will be participating in the testing of
9 the evidence, and just on that score, historically, what
10 we've been concerned about and participated in, and will
11 continue to do so, is looking at Centra's 2003 and 2004 gas
12 supply, storage and transportation transactions.

13 And that there is a -- a reduction in -- in
14 rates associated with this Application, which is -- which
15 is good news for the consumers. But the issues, sometimes,
16 and is the degree of accuracy of the numbers. That's more
17 in the bailiwick of -- of Board staff. I don't -- we don't
18 get involved in those things, unless we see something that
19 jumps out as being inaccurate.

20 What we are concerned about is reviewing the
21 capacity management transactions throughout the past year,
22 to make a determination as to whether Centra has done all
23 that it could, to defray -- to ameliorate the costs, as it
24 were, and historically we've -- we've presented evidence to
25 -- to demonstrate that there is some unused capacity.

1 In other words, Centra's gone out and rented
2 space that isn't utilized, for reasons that it'll -- it'll
3 justify, but the fact of the matter is consumers pay for
4 that, whether it's used or not.

5 So, we'd like to look at the -- those
6 aspects of the costs, to make sure that -- that Centra's
7 done all it can to -- to sell their -- their sub -- sub-
8 lease their space, et cetera, on -- on the secondary
9 market. So, that's one (1) important aspect.

10 The derivative hedging program has been a --
11 has been a work in progress for a long, long time. It was
12 -- it was certainly dealt with and -- and given some formal
13 shape this last Hearing. So we're -- what we're attempting
14 to -- to analyse, is whether the program is still
15 effective, or it's working the way it was -- it was
16 approved to work.

17 And also to -- to determine the status of
18 the consumer surveys and the -- what the Company's done in
19 terms of finding out the -- the consumer's appetite for the
20 kind of hedging program that is in -- in place.

21 We're interested in the status of the TCPL
22 tolls and the impact upon Manitoba consumers. They have
23 been substantial in the past, and Centra has warned us that
24 they could be even more expensive in the future. So, we
25 like to analyse that.

1 page analysis, so -- so these are items that -- that we're
2 interested in, that we review -- have reviewed
3 historically, have participated in a -- in a responsible
4 way, and will -- will continue to do so.

5 In terms of evidence, what we need and --
6 and I'll speak to this when it comes to the -- well, I
7 guess I could speak to it now and it's all got to do with
8 the issue of costs. I have read with interest and raised
9 tentacles the -- the recent Board Order 43 of this year in
10 respect to Manitoba Hydro and the expectations of the Board
11 in that regard. I expect that the same gospel will be
12 preached here so on that assumption, I want to say the
13 following:

14 We have not put a budget in and -- but I
15 think it's an important thing to do but it has to be done
16 appropriately and with -- with an understanding as to what
17 the rules of the game are. I could have put a budget in
18 but I could tell you that it would be totally meaningless
19 without knowing what the scope is and -- and the trouble
20 with budget is -- budgets are once you put a number in, it
21 gets fixated in people's minds whether it's legitimate or
22 not.

23 So what I'd like to see is this:
24 Historically we have -- we have been, I think, very
25 responsible in terms of our intervention. The cost awards

1 have born that out. There have been occasions where there
2 have been disallowances and that's -- to me, that's fair
3 and, you know, with minor exceptions, not something that
4 we've had any right to challenge and it shows that there's
5 -- there's an unfettered discretion on the Board and -- and
6 it's always something that we've known and it's always
7 something that we live by and we shall live by that in the
8 future.

9 The concern I have, and maybe I'm reading
10 too much into it, is where the Board says in Board Order
11 43-04 that the -- the criteria that has been set out that -
12 - that even if that's meant -- met, that the Intervenors
13 are not necessarily entitled to an award of cost.

14 I hope I'm -- I hope that's a
15 mischaracterization as to what the Board intended. I think
16 what the Board intended was that even if you meet the
17 criteria, there's not a cart blanche for putting in
18 whatever amount you want that the Board is going to be
19 looking at the -- at the amount and the reasonableness of
20 it.

21 But I hope there's not an added layer of
22 requirement that the Intervenors, who are really
23 essentially on contingency and have to pay for the cost of
24 intervention out of their own pockets until a Board award,
25 that -- that the Board's not saying, well, even if you meet

1 the criteria you're not necessarily entitled to costs.

2 I hope the Board means that you're entitled
3 to cost but the amount is still under scrutiny. So I'd
4 look for a little bit of clarification on that and
5 hopefully a little comfort on that because I might indicate
6 that you can't put in a responsible intervention without
7 consultants and you can't put in proper evidence without
8 experts and you can't get experts for nothing and experts
9 in this business are very few and far between in terms of
10 their availability and willingness to act for Intervenor
11 because they don't want to be part of the contingency.

12 They want to get paid -- they want to get
13 paid because if they don't get paid by us, then they get
14 paid by others and in this business, the experts go to the
15 utilities first because they get paid regardless. So, I
16 mean, it's just a matter of business efficacy.

17 We've been fortunate in -- in that we've had
18 a couple of long-standing consultants who have -- have gone
19 on faith that -- that they'll be treated fairly and it's
20 worked out. We have other experts in -- in specific
21 instances and I talk about the blank page analysis as an
22 example where you don't find these people walking down the
23 street.

24 There are very few people with that kind of
25 expertise and specialty in North America and they're either

1 conflicted out or they're -- they've got engagements
2 elsewhere or they've been used by the -- the Applicant.

3 So when we find somebody, and I have a
4 couple people in mind, they come at market rates and they
5 expect to sign contracts and they expect to get paid and
6 why wouldn't they?

7 And so I need some kind of assurance that --
8 that if there's responsible intervention, and there are --
9 and -- and that the -- that the parameters and scope of --
10 of the -- of the intervention are -- are followed, that we
11 don't get penalized just because someone has market rates.

12 And -- and in order to get assistance and
13 guidance from the Board, what I'd like to do and propose is
14 as soon as the Board comes out with an order, indicating
15 what the scope of the -- of the Hearing is, and its
16 expectations with respect to the blank page analysis, such
17 as, for example, yes, we want to look at this, we welcome
18 evidence to -- to -- it's one (1) thing for Hydro to -- or
19 Manitoba -- for Centra to say, well, the report says this,
20 that and the other thing.

21 Well, that's fine, well, if -- if we're just
22 going to accept it, let's all pack up and go home, but I
23 think we need some counter -- counter-veillance (sic),
24 there may be other ways of looking at it. So, we need
25 expertise.

1 If the Board is on side with that, what I'd
2 like to do is -- is when the scope of the Hearing is -- is
3 fleshed out in the next Board Order, I'd like to be able to
4 sit down and do a -- a fairly intensive and -- and as
5 comprehensive a budget as I can, in terms of, you know,
6 what we've been able to negotiate with -- with experts,
7 what it's going to cost to review, and things of that
8 nature.

9 So, that the Board -- if I get the budget
10 and give it to the Board, and the Board looks at it and
11 says, gees, you know, intuitively we don't like this. At
12 least I -- I can know, before I have to spend money,
13 because at the end of the day no one is going to front
14 this, except me. And I'm not in the business of -- of my
15 meagre wage to, you know, to fund the process.

16 So, we need to know that in advance. The
17 last place I want to hear about it is in an award of costs
18 where it says, well you -- you shouldn't have gotten this
19 person, and you shouldn't have charged -- allowed for these
20 rates and -- and this, that and the other thing.

21 Your discretion is totally unfettered, I
22 accept that. I will say that from now until I don't do
23 this job anymore, but by the same token, we need some rules
24 of engagement that we're -- that we know we're dealing
25 with, so that I can go out and -- and engage people, and

1 spend the time that I think is necessary to do a good job,
2 because that's what this exercise is all about.

3 And so, that's what I would propose, Members
4 of the Board and, Mr. Chairman, and I think that's -- that
5 will go a long way into, I think meeting your expectations
6 in terms of -- of streamlining and -- and being efficient,
7 and that but so everybody knows what the rules of the game
8 are, and -- and we can work prospectively, as opposed to
9 find out the hard way.

10 I must admit that there have been -- there
11 have been historically some bumps in the road between my
12 clients and Hydro. Laterally, I can tell you that there's
13 been a one hundred and eighty (180) degree turn, and we are
14 conducting our business with each other in a way I think
15 everybody expects, and the way that everybody hoped that
16 matters would be conducted and I have every confidence that
17 we can continue to do that.

18 So, with those long winded remarks, I think
19 I've covered off all I want to say on that score, other
20 than to deal with the draft time table, and I'm at your
21 pleasure in terms of when that gets discussed. Thank you,
22 sir.

23 THE CHAIRPERSON: Thank you, Mr. Meronek,
24 we'll reflect upon your comments.

25 Now I'd like to turn to Ms. Melnychuk, same

1 issue, if I may. You have filed a request to intervene.
2 For the record, would you please state the nature and
3 reason for the proposed intervention?

4 MS. KAREN MELNYCHUK: Thank you, sir.
5 Municipal Gas is here to intervene in regards to the blank
6 page analysis, and to monitor all other aspects of the
7 Application.

8 Historically we do not take an active stand
9 on the Cost of Gas Application, but we monitor it.

10 I do intend to be in appearance at the
11 Hearing as much as, you know, my time table allows, and I
12 hope to be joined at different parts with my counter-
13 parties in our head office in Toronto, and with legal
14 counsel as well.

15 THE CHAIRPERSON: Ms. Melnychuk, you were --
16 you were just approaching one (1) point that I wanted to
17 follow up on.

18 I gather from the form that you've filed
19 that you're not indicating that you or your associates will
20 be present throughout the Hearing and we're wondering how
21 you plan to ensure that you'll be fully aware of the
22 proceedings if you're not there?

23 MS. KAREN MELNYCHUCK: I will be here as
24 much as I can during the proceedings, the actual Hearing.
25 My counter-parties in Toronto will join me as we know the

1 timetable of the actual Hearing. We've done this in the
2 past and it seems to work out.

3 Everybody is quite -- quite considerate in
4 that respect but my presence here at the Hearing should be
5 almost 100 percent.

6 THE CHAIRPERSON: I also note that you do
7 not have an intention to put forward a witness and that you
8 would not be seeking costs?

9 MS. KAREN MELNYCHUCK: That is correct.

10 THE CHAIRPERSON: Thank you. With respect
11 to Simplot, I'll just read into the records that based on
12 the application for status that they have filed their
13 intention is to appear throughout the Hearing, to
14 participate in the testing of evidence.

15 They give an indication that they would call
16 witnesses and would be present for final argument. They do
17 not -- they have not determined whether or not they would
18 participate in the production of evidence. Simplot has
19 indicated that it would seek costs and has not filed a
20 budget to this point.

21 With respect to MacDon, they have also
22 indicated they would appear throughout the Hearing, they
23 would participate in the production of evidence, they would
24 test evidence and they would present final argument.

25 They cite a particular interest in demand

1 charges and have indicated that they would not seek costs.

2 With that now before us, I would like to
3 call on Ms. Murphy for Centra, do you have any comments or
4 objections to any of these parties being granted Intervenor
5 status and although we do not have budgets filed to the
6 extent that we would like, do you have any particular
7 comments with respect to their interest in costs?

8 MS. MARLA MURPHY: Yes, thank you. I guess
9 just to follow the same running order, first, with respect
10 to CAC's application for intervention, Centra does not
11 object to CAC's intervention in the application.

12 Although, we do find ourselves in a bit of a
13 quandary when it comes to the issue of costs. We're in a
14 bit of a loop, no budget's been filed because CAC is
15 waiting for the Board to determine the scope and we're not
16 in a position to comment on their intervention until we
17 have their budget.

18 So -- the opportunity to review it as well.
19 So we're kind of in a hiatus there, but I thought Mr.
20 Meronek was going to steal my thunder for a minute. I
21 wanted to be the first person to be able to quote to you,
22 Mr. Chairman, something from one of your own orders and I
23 think I'm still going to be able to do that.

24 I think it's appropriate at this point to
25 refer to the order that was made by the Board in 43-04

1 which is the Manitoba Hydro pre-Hearing conference. And I
2 think that the comments there are equally applicable to --
3 to the hearing today.

4 Just very briefly, on page 14, the Board
5 says

6 "In summary, costs awards represent the
7 cost of business to Hydro and reasonable
8 efforts should be made by Intervenors to
9 ensure reasonable regulatory efficiencies
10 while testing and commenting upon the [in
11 that case] General Rate Application filed
12 by Hydro."

13 I think regulatory efficiency is diminished
14 when we find ourselves at a Hearing -- pre-Hearing
15 conference like today when Intervenors have been provided
16 with the material some seven (7) months in advance of the
17 pre-Hearing conference but aren't in the position to tell
18 us today what position they intend to take with respect to
19 the blank page analysis.

20 And I understand from Mr. Meronek's comments
21 that he perhaps hasn't even spoken to witnesses or experts
22 in respect of that. That will have implications for the
23 timetable, both in terms of the quantity of information
24 requests and the time that needs to be allotted to that.

25 It has implications for the filing of

1 Intervenor evidence and for the duration of the Hearing.
2 Those are matters that we'd like to see addressed in this
3 kind of forum, in a pre-Hearing conference.

4 And I think that that's particularly
5 appropriate in light of the history of this report.
6 There's been a significant amount of correspondence back
7 and forth. There's been Board Orders commenting on it and
8 there's been an indication from the Board that it would be
9 dealt with in conjunction with this Hearing.

10 So -- so we would have preferred to see that
11 today. That being said, we're -- we're in the position
12 where we're just going to be waiting for the Board's order
13 and for CAC's budget and we'll -- we'd like the opportunity
14 to make our comments after that's received.

15 With respect to the application for
16 intervention by Municipal, Centra has no objection to that
17 application and we understand that they'll -- they'll
18 follow the similar kind of process that have in the past
19 which has been fine from our perspective.

20 I do want to make a couple of comments with
21 respect to the applications of Simplot and MacDon, although
22 they're not here. First, with respect to the application
23 for Simplot, I noted with some concern or confusion that
24 they have not yet determined whether they intended to
25 produce evidence but did intend to call a witness and --

1 and I hope that the Board will direct in its order that if
2 they do intend to call a witness that we are provided with
3 the pre-filed evidence as is the practice in this forum.

4 I'd also like to put on the record that it
5 will be Centra's position that Simplot does not meet the
6 criteria for costs and we will be objecting to any
7 application that might be made for an award of costs. They
8 represent their own interests and are obviously not a
9 financially imp -- impecunious organization that would
10 qualify for the Board's criteria of costs.

11 With respect to the application by MacDon, I
12 also noted that they indicated that they intended to
13 participate in the production of evidence but not to call
14 witnesses. So we have sort of a mirror image there and
15 again, I -- I would hope that if there is evidence filed
16 that it's filed in advance and that there's a witness
17 presented so that we can challenge it, if it's necessary.

18 And I would also suggest that the ma -- the
19 interest of MacDon probably can be addressed in the form of
20 a presentation and I'm not sure that there's a clear
21 understanding on the part of the parties that are, perhaps,
22 not familiar with this process as to what all of these
23 steps that they've indicated they intend to participate in
24 would entail and I would hope that there would be some
25 consideration of perhaps a suggestion that MacDon may be

1 able to make its views to the Board known through a
2 presentation as opposed to a whole intervention.

3 And those conclude our comments with respect
4 to the Intervenor applications.

5 THE CHAIRPERSON: Thank you, Ms. Murphy.
6 The Board will provide its direction with respect to the
7 granting of Intervenor status in a subsequent order which
8 will follow in due course and I'll have some more remarks
9 about that when I come to the conclusions.

10 As Mr. Meronek pointed out, the Board has
11 expressed its views with respect to efficiency and matters
12 of that nature in a recent order and I would remind the
13 Applicants of the criteria the Board utilizes in its
14 decision making. The Board does not favour awarding costs
15 with respect to learning curves nor may it look favourably
16 upon billing rates in excess of counsel and advisor rates
17 that it establishes for its own counsel and advisors.

18 As well, the Board is very conscious of the
19 need for an efficient and effective Hearing and looks for
20 cooperation between and amongst the Intervenors where
21 feasible and the Board encourages accepted Intervenors to
22 consult with Board staff with respect to these matters.

23 I would now like to turn to the matter of
24 the draft timetable. Before I canvas the Intervenors and
25 Centra, do you have any comments, Mr. Peters? Our initial

1 view of the proposed timetable is that it seems a bit
2 compressed and does not appear to provide sufficient time
3 between the filing of rebuttal evidence and the
4 commencement date for the Hearing?

5 Mr. Peters...?

6 MR. BOB PETERS: Yes, thank you, Mr.
7 Chairman. What the Board and Chair and Members should have
8 before it is the Exhibit 2 that has been marked in this
9 proceedings. This is a draft timetable dated March 24th,
10 2004 provided by Centra Gas Manitoba Inc.

11 I also have before me, and I think Mr.
12 Meronek will probably want it marked as an exhibit for the
13 record, a proposed draft time line that CAC/MSOS wants to
14 speak to.

15 Let me address Exhibit 2.

16 THE CHAIRPERSON: Consider that filed.

17

18 --- EXHIBIT NO. PUB-3: Draft timetable proposed by
19 CAC/MSOS.

20

21 MR. BOB PETERS: All right, thank you.

22 On Exhibit 2, the draft timetable of March
23 24th, 2004 you do note correctly that the rebuttal evidence
24 was contemplated September 3rd with the Hearing to commence
25 on September the 8th and in terms of the compression of

1 time, the real explanation for that, probably, comes in the
2 summer months where the work schedule was slowed down to
3 accommodate what is traditionally a vacation period for
4 various parties and people preparing information in the
5 Hearing and therefore the interrogatories were designed, I
6 believe, to try to come before that.

7 The rebuttal evidence does traditionally
8 follow close to the commencement of the Hearing depending
9 on the time line but there may be an opportunity for that
10 rebuttal evidence to be prepared earlier than that and I
11 think Mr. Meronek's draft may address that.

12 But other than that general comment, Mr.
13 Chair, I suggest it be appropriate to canvas with Centra as
14 well as the Intervenors their views on the timetable and
15 recognizing that Mr. Meronek has exhibit 3 before the
16 Board, he may want to speak to that sooner rather than
17 later.

18 THE CHAIRPERSON: Thank you, Mr. Peters.
19 I'll call first then, Mr. Meronek...?

20 MR. BRIAN MERONEK: Thank you, sir. I -- I
21 want to address this in the context of a couple of things,
22 one the remarks Ms. Murphy just made, I -- I was all
23 getting warm and cuddly and fuzzy and then I -- I get hit
24 with this comment about having the report for seven (7)
25 months. What's -- what's the religious phrase? Let he or

1 she who has not sinned cast the first stone?

2 The blank page analysis has been outstanding
3 for five (5) years. Yes, we did get it at our urging, in -
4 - in August, yes, I did send it to -- to people to take a
5 look at, with instructions, can you deal with this or can't
6 you deal with it? No instructions to do anything about it,
7 because Centra was -- as soon as the ink was dry, was
8 saying, we don't want to deal with this right now.

9 And it's a good thing I didn't, because of
10 the -- of the admonitions of the Board, in terms of costs,
11 because of the concerns and the unclarity with respect to
12 the scope, I would have been mentally certifiable to go out
13 and try and find a -- an expert, and expect that -- that I
14 could go full blast.

15 So, having said that, the control of timing
16 has always been in Centra's hands, never within the -- in
17 the -- within the bailiwick of the -- of -- of the
18 Intervenors. So, I -- I find the comments fairly not
19 helpful.

20 With respect to the -- the timetable, I've
21 put in a -- an alternate timetable, and I -- I -- there may
22 be a good reason for this, Members of the Board, but I
23 haven't been told as to what it is.

24 This Application was filed on February 20,
25 we didn't get it until March 29th, some five (5) weeks

1 later. So, if we're talking about -- and you'll see that -
2 - that the compression of time as a result, is -- well,
3 it's -- it's unworkable.

4 Now, in the ordinary course of events, and
5 we've dealt with this historically with -- with three (3)
6 months. Some people have to sacrifice, but in this
7 particular case we've got lots of time, we've got more than
8 ample time, more time than we've ever had.

9 So, put yourself in my shoes for a moment.
10 I get the Application on March 29th, I send it out to
11 various consultants, I still don't know what the issues
12 are, from a -- a consulting perspective, and I'm not going
13 to know that for a while, and so to have a Pre-Hearing
14 Conference and the first round of Information Requests next
15 week, is -- is just unpalatable, well, it's -- it's
16 impossible.

17 What I have done here, in the interests of
18 fairness for everybody, is I've put it back -- the -- the
19 process with respect to first rounds, put it back a month.
20 And what I've done -- that gives me enough time to -- to
21 get the Board Order, to -- to engage my consultants, to get
22 their assessment, and to do the Information Requests.

23 I might indicate that -- that -- that it
24 can't be any earlier from my perspective, and I'm in a
25 Hearing in Alberta with ATCO Pipelines on May 3rd, so

1 that's the -- the most reasonable date from the -- from
2 these Intervenor's perspective.

3 And -- and what you see following from that,
4 is that the deadlines or the dates are the same distance
5 apart, if not greater, for Centra, than under its -- the
6 proposal.

7 So, therefore, Centra's not being penalized
8 in any way, shape or form, but is getting more time to get
9 its ducks in a row, than it has been under the old
10 schedule.

11 I understand the -- the concerns about
12 summer, but you know, summer's two (2) months long, and
13 very few of us can afford to take off two (2) months. I
14 know this Board doesn't, but if it does, then I'd like to
15 apply.

16 In any event, if you'll see from this
17 particular -- this particular draft, that essentially the
18 only thing that -- that spills over into -- into the summer
19 for -- for Centra, is -- is the second round Information
20 Requests on July 5. So, you know, that's -- that's hardly
21 into the summer.

22 It -- it's certainly the -- it -- it falls
23 under the obligation of the Intervenor's to provide evidence
24 by July 30th, and the only other thing that has to be done
25 is some Information Requests on that evidence.

1 You will see that on August 15, we've -- we
2 have compressed our time for responding, so it's -- it's to
3 our detriment, but -- but it's workable.

4 And what I've done is -- the only other
5 thing I've done is to meet the concerns that you've
6 addressed, Mr. Chairman, in terms of the filing of rebuttal
7 evidence, I've moved that up for -- for about eight (8) or
8 nine (9) days. I'd like to see it earlier, but we can --
9 we can live with that. We've -- we've lived with worse,
10 but there's no need to have it on September 3rd at all.

11 And so I would strongly encourage and seek
12 the Board's approbation for this particular timetable.
13 It's the -- it's the one that -- that is the most workable
14 for the Intervenors and, bearing in mind, the Intervenors
15 don't -- haven't had the luxury of the application, don't
16 have the right at this point in time, the information is
17 asymmetrical. It's all in Centra's hands, not ours.

18 So we have -- it's our work that has to be
19 commenced now. And with -- and the hearing date, I have no
20 problem with and, as a matter of fact, I've worked back
21 from it in a manner of speaking. Thank you, sir.

22 THE CHAIRPERSON: Thank you, Mr. Meronek.
23 Mr. Melnychuk, would you care to comment?

24 MS. KAREN MELNYCHUCK: Thank you, sir.
25 Like Mr. Meronek, Municipal Gas did not receive the

1 application until March 25th. We got it a few days ahead
2 of him, but the time frame from March 25th to now has been
3 quite short and we do, actually, prefer Mr. Meronek's draft
4 timetable. Thank you.

5 THE CHAIRPERSON: Ms. Murphy, would you
6 like to comment?

7 MS. MARLA MURPHY: Yes, I would. Now that
8 I've made Mr. Meronek mad at me again, I'm going to try and
9 be nice and work from his timetable.

10 I think that it -- there's a number of
11 things that we have a luxury in this hearing that we
12 haven't had normally and that is that we have five (5)
13 months between today and when we expect the Hearing to
14 start.

15 So I think that everybody's interests can be
16 accommodated and we can adjust the schedule so that there
17 is a possibility that some people can take their vacation
18 somewhere in the summer and I can assure the Board that
19 there's nobody at Centra that take two weeks -- two months
20 off either.

21 It's -- you'll see from the timetable that
22 people are back at it and working to update the material
23 beginning -- in the beginning of August. So we've consumed
24 the month of August in preparing the updated Cost of Gas
25 material and the cost allocation that comes out of that.

1 I do have a bit of a concern in the lag
2 between today and when we get the first round Information
3 Requests and if we can have some accommodation there, I
4 think we can probably work through the rest of it.

5 By way of history, there was some discussion
6 between Centra and Board Counsel which resulted in the
7 draft timetable that was filed and we tried to accommodate
8 things like the CAMPUT conference that come in and there's
9 been some extra weeks built in for that that, if we move
10 out of that period, don't become an issue any more.

11 So, I guess what I'd suggest is that we have
12 receipt of the first round Information Requests on April
13 30th and -- and in terms of the application, they were all
14 sent out on the 25th March and that was when we had the
15 timetable confirmed from the Board and -- and got them out
16 the door after that and I can't explain why it took four
17 (4) days to go from Centra to D'Arcy & Deacon's office, but
18 they were sent at the same time as the Municipal one.

19 What I'd suggest is that first round
20 Information Requests be filed on April 30th. We generally
21 do that on a Friday, if -- if parties prefer it to be the
22 Monday that -- nothing turns on that, but April 30th or May
23 3rd.

24 We would then hope -- I guess I should note
25 at the same time that May 10th is the beginning of the

1 CAMPUT Conference. It starts on May 9th so that may pose a
2 problem for some parties.

3 We would then propose that we would file the
4 responses to the first round Information Requests three (3)
5 weeks later and I did this from the Friday so I have May
6 21st being the date that would apply there.

7 It's traditionally been one (1) week between
8 the first and second round of Information Requests and two
9 (2) were built into the last schedule because of the CAMPUT
10 Conference and if -- if the Board wills it we can go back
11 to the one week in between which would make filing of the
12 second round Information Requests come on May 28th.

13 We would then be in a position to file
14 responses to the second round Information Requests on June
15 18th. We don't have an objection to Mr. Meronek filing his
16 Intervenor evidence later in July if he prefers that.

17 And in terms of the filing of rebuttal
18 evidence on August 30th, I think that can be accommodated
19 from our perspective. So -- so if we could have some sort
20 of impetus, I guess, to get started on the process then I'm
21 certain we can work to everybody's satisfaction. Thanks.

22 THE CHAIRPERSON: Thank you, Ms. Murphy.
23 Mr. Meronek...?

24 MR. BRIAN MERONEK: Yes, sir. We're back
25 on good terms now. It's a bit of a give and take flow

1 here.

2 THE CHAIRPERSON: I'm pleased to hear that.

3

4 MR. BRIAN MERONEK: The -- I do emphasize,
5 sir, that May -- April 30th is impossible. As I indicated,
6 I will be in Calgary on a ATCO pipelines hearing and that's
7 why I put May 10th down. Now, CAMPUT is important to
8 people, I suppose, but the whole -- the whole universe
9 doesn't stop just because of CAMPUT and I'm sure that the
10 list time I looked the whole of Centra Gas wasn't present
11 at the CAMPUT and I need -- I need that weekend after I get
12 back from Calgary to be able to look at it.

13 But other than that, I have no problem with
14 -- with what Ms. Murphy has suggested and as I -- you know,
15 there's enough time to be flexible. Start date,
16 unfortunately, can't be any earlier. It could have been
17 had we received the Application earlier but that didn't
18 happen for reasons that are not important at this point.
19 It's just a matter of fact. Thanks, sir.

20 THE CHAIRPERSON: Ms. Melnychuk...?

21 MS. KAREN MELNYCHUK: The April 30th or the
22 May 10th date is the same for us. Thank you.

23 THE CHAIRPERSON: Mr. Peters, do you have
24 any thoughts on this matter?

25 MR. BOB PETERS: Well, one of the things

1 that we often forget when we create a timetable is that the
2 dates that are in the column are to be considered as no
3 later than dates and if I hear Ms. Murphy correctly, she
4 has -- she wants to get the process going from her point of
5 view.

6 And so what she's wanting to do is start as
7 early as possible and to that end, if parties have
8 interrogatories that are drafted and prepared, maybe
9 they're not totally done but I don't think it would
10 prohibit -- anything in the timetable would prohibit them
11 from submitting them as soon as they're done as long as the
12 last of them comes by the -- by the end date.

13 And that will apply equally to the
14 Intervenors as well as to Board advisors and that's
15 something that we could work towards in terms of getting
16 them as quick as possible to -- to the Utility so they can
17 start the process.

18 THE CHAIRPERSON: Thank you. So we're
19 almost done. Along with the matters I've already indicated
20 that the Board will be -- the Board will be considering
21 matters related to Intervenor status, the blank page
22 analysis, the high-volume firm issues.

23 The Application itself in this conference
24 has brought to mind two (2) other issues that the Board may
25 take under advisement and may choose to hold a Hearing in

1 the future to address.

2 One is the question of the competitive
3 landscape, the rules and rights, the parties within it and
4 the implications for the public interest. The second one,
5 Centra has raised the issue of the income tax adjustment
6 arising out of the purchase of the company by Hydro.

7 We may want to revisit the appropriateness
8 of regulation based on rate base and allowable rate of
9 return, as we are faced by non-taxable Crown corporation
10 with integrated energy operations in both electricity and
11 gas, filing rate applications on the basis and revenue
12 requirement for the electricity component.

13 Do you have any initial comments for the
14 Board on these issues, Ms. Murphy?

15

16 (BRIEF PAUSE)

17

18 MS. MARLA MURPHY: Sorry, you've caught me a
19 bit flat-footed, but is it my understanding that you're
20 looking at having a separate Hearing that would deal with
21 those issues?

22 THE CHAIRPERSON: We're considering what the
23 -- the demand would be and what the options are.

24 MS. MARLA MURPHY: I think in terms of the
25 competitive market overall, that -- that raises a whole

1 slough of issues that are fairly broad reaching and -- and
2 would require a fairly extensive examination.

3 So it certainly wouldn't be our view that
4 that would be something that would be included as part of a
5 Cost of Gas Hearing and although there is -- some of that,
6 I know, comes from municipal's comments in terms of the
7 relationship to the blank page analysis, there may be some
8 discussion in that context, but in terms of the broader
9 issues, I think that we would like to have an opportunity
10 to consider that perhaps in a forum where we'd have some
11 additional expert evidence.

12 In terms of revisiting the rate base versus
13 the rate of return issue, I think it's something that
14 certainly Hydro is -- is willing to consider and would like
15 to have considered. It's been a concern for them for some
16 time, although it -- it is sort of a General Rate
17 Application type issue, so we would anticipate it would be
18 dealt with in a different forum.

19 THE CHAIRPERSON: Thank you.

20 Do you have any initial comments on these
21 issues, Mr. Meronek?

22 MR. BRIAN MERONEK: Thank you, Mr. Chairman.
23 I'd love to get into the competitive landscape issue. I
24 just finished a three (3) month hearing in Alberta on that
25 very issue and Ms. Murphy's right, it is -- it is far-

1 ranging and has to be looked at in a very, very scrupulous
2 way in the sense that the -- the graveyard is full of good
3 intentions in terms of competition in North America.

4 So, competition, if it's properly invoked,
5 is to the benefit of all consumers. If it's not properly
6 invoked, it just becomes an unregulated monopoly situation,
7 which is the worst of all worlds.

8 So, Ms. Murphy, in my view, is correct.
9 That would have to be the -- the -- that would have to be a
10 -- an engagement that is kind of stand alone in a generic
11 kind of way. So, we would certainly welcome an opportunity
12 to participate in something like that.

13 With respect to the -- the issue of rate
14 base rate of return, we've -- we've struggled with that I
15 guess, since Manitoba Hydro acquired the shares of Centra.
16 There's been a lot of comment on the record about it to
17 date, and it is -- it hasn't been resolved yet, so
18 obviously that's something that has to be dealt with at
19 some point in time. And Ms. Murphy is correct, it's
20 probably more appropriate in a GRA forum. Thank you, sir.

21 THE CHAIRPERSON: Ms. Melnychuk, do you have
22 any initial thoughts on these items?

23 MS. KAREN MELNYCHUK: We would welcome the
24 opportunity to participate in a Hearing on the competitive
25 market in Manitoba. Like my -- my counter-parties here, I

1 think though that it's -- it's not in this Proceeding that
2 that would happen.

3 In regards to the rate base, I have no
4 comment on that. Thank you.

5 THE CHAIRPERSON: Thank you. If any of the
6 parties here have any additional thoughts, we suggest that
7 you provide them to the Board in writing.

8 Please understand that information received
9 may or may not be considered a public document by the
10 Board. If you have any questions in this respect, we
11 suggest that you seek the advice of Board staff before
12 submitting your views.

13 The Board will consider the matters it heard
14 this morning. It will pursue obtaining additional
15 information it requires from the Intervenors, such as
16 budgets and things of that matter, and we'll share them
17 appropriately, and will publish its Order in due course,
18 with respect to the granting of Intervenor status, and with
19 respect to the blank page analysis and high volume firm,
20 and time table issues.

21 By the way, the Board intends to develop its
22 own first round of Interrogatories, as soon as it is able
23 to, and hopefully by that process, maybe it will assist the
24 -- the Intervenors and Centra, to allow them to prepare
25 their approaches and avoid duplication.

1 Is -- does anyone here have any further
2 comments or points?

3 Then thank you for coming, and we stand
4 adjourned.

5

6 --- Upon adjourning at 11:41 a.m.

7

8 Certified Correct

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13 _____
Wendy Warnock

14 Court Reporter

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