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2 MANITOBA PUBLIC UTILITIES BOARD
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6 Re: CENTRA GAS MANITOBA INC.
7 2005/2006 GENERAL RATE APPLICATION
8 INTERIM EX PARTE
910
11 Before Board Panel:12 Graham Lane - Board Chairman
13 Monica Girouard - Board Member
14 Mario Santos - Board Member
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18 HELD AT:

19 Public Utilities Board
20 400, 330 Portage Avenue
21 Winnipeg, Manitoba
22 January 17th, 2005
23 Volume I
24 Pages 1 to 115
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APPEARANCES

R.F. Peters

) Board Counsel

Marla Murphy

) Centra Gas

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1 --- Upon commencing at 9:10 a.m.

2

3 THE CHAIRPERSON: Good morning, Ladies
4 and Gentlemen. Don't think we have any risk Winnipeg
5 being declared a tourist zone. If I could receive your
6 attention, I would like to call this proceeding to
7 order.

8 For the record my name is Graham Lane and
9 I'm chairman of the Public Utilities Board. I'm joined
10 in this Panel by Monica Girouard, seated to my right,
11 and Mario Santos, seated to my left.

12 The Board is also assisted by its Acting
13 Secretary Hollis Singh, by Digi-Tran and Carol Wilkinson
14 who will transcribe the meeting. Before I turn the
15 microphone over to Board counsel Mr. Peters for his
16 introduction and opening comments, there are a few more
17 comments I will make.

18 The Board expects a record of this
19 Application including today's proceedings to be on the
20 public record and subject to further review of
21 interested parties whether or not an interim ex parte
22 order is issued by the Board.

23 In turning to the Application before us,
24 on December 9th, 2004, Centra filed an Application with
25 this Board requesting an interim ex parte order

1 approving February 1, 2005 rate increases that would
2 yield additional revenue of \$3 million in the months of
3 February, March, 2005, which are the last two (2) months
4 of Centra's 2004/2005 fiscal year.

5 On an annual basis for and from Centra's
6 2005/06 fiscal year the requested interim rate increases
7 would yield approximately \$12 million of additional
8 annual revenue.

9 Centra contends that since the last GRA
10 for 2003/2004 there have been changes in Centra's non-
11 gas costs and volumes which have increased its revenue
12 requirements and resulted in financial losses for the
13 utility.

14 Centra projects a loss of \$8 million in
15 its fiscal 2004/05 and that loss would be reduced by \$3
16 million if this Interim Ex Parte Application was
17 approved for February 1, 2005. Centra also suggests
18 that the projected loss of \$10 million in fiscal 2005/06
19 would be eliminated and a positive net income of \$2
20 million would result from the \$12 million of additional
21 annual revenues from the proposed rate increases.

22 It appears on the face that the rate
23 increases are to generate approximately 2 1/2 percent of
24 additional overall revenue for Centra; if the increases
25 are for non-gas cost, then the requested increase of \$12

1 million represents an increase of approximately 10
2 percent over the last Board approved non-gas costs.

3 The Board also understands that Centra
4 seeks to further justify and support its Interim Ex
5 Parte Application request and finalize any interim ex
6 parte order by the Board at an upcoming General Rate
7 Application. The initial Application for the GRA was
8 filed with the Board on January 10th of this year.

9 Layered on top of the non-primary gas
10 Applications, is the quarterly primary gas Application
11 for February 1, 2005, which Application has also been
12 filed with the Board, that on January 6th, 2005. To
13 assist the Board in its understanding of the Interim Ex
14 Parte Application and the interplay, if any, with the
15 GRA and the February 1 primary gas Application, there
16 have been twelve (12) information requests advanced and
17 answered.

18 And Centra's appearing today to answer
19 questions from Board counsel and Board Members. The
20 Panel may ask its questions as they arise and/or at the
21 end of Mr. Peters questions.

22 At this time I'll call on Mr. Peters for
23 his introduction and opening comments and his
24 recommendations for the procedure to be followed.

25 Mr. Peters...?

1 MR. BOB PETERS: Thank you and good
2 morning, Mr. Chairman, Board Members, Ladies and
3 Gentlemen. For the record I am Bob Peters and appear as
4 Board counsel on the Application by Centra for an
5 interim ex parte order for new rates effective February
6 1st, 2005.

7 The Board is also assisted in this matter
8 by its engineering advisor, Myron Kostelnyk seated to my
9 right from Energy Consultants International and its
10 accounting advisor Roger Cathcart from Price Waterhouse
11 Coopers.

12 Centra has applied pursuant to Section 45
13 of the Public Utilities Board Act for an interim order
14 for new sales rates effective February 1, 2005. This
15 Application is also made ex parte, meaning with no prior
16 public notice.

17 From the filing, Centra intends to notify
18 customers of any increased rates from this Application
19 at the time as Centra notifies its customers of the
20 February 1st, 2005 quarterly primary rate adjustment.

21 Should Centra obtain any interim rate
22 increases as a result of this Application, Centra will
23 seek to have such rate increases finalized as part of
24 the General Rate Application that, Mr. Chairman, you
25 noted had been filed on January 10th of 2005.

1 The General Rate Application process
2 would be a public process where the Board would provide
3 any intervening Parties with the opportunity to address
4 this Interim Ex Parte Application and any resulting
5 order.

6 Any interim rates from this Application
7 would be fully reviewable and I suggest fully refundable
8 or reversible, should the Board so decide at the General
9 Rate Application. It is expected that the Board will
10 circulate in the normal course any order arising from
11 this Application, including to prior Intervenors.

12 It's also expected that the record of the
13 proceeding, as you've noted, Mr. Chairman, including the
14 Application, the interrogatories or Information Requests
15 and the transcript will be publicly available to any
16 interested Parties.

17 In terms of process this morning, I
18 suggest that following my opening comments, the Board
19 ask Centra's Counsel for her introductions and any
20 opening comments, then have the witnesses sworn followed
21 by any direct evidence they may have, followed by my
22 cross-examination of the witnesses, which I hope will
23 conclude this morning and, thereafter, Ms. Murphy may
24 have some questions in re-examination and, finally, Ms.
25 Murphy can be invited to have any closing submissions

1 that the Corporation wishes to advance.

2 In terms of the record of these
3 proceedings, I propose, Mr. Chairman, that there be
4 exhibits recorded. The first exhibit, PUB-1 would be
5 the Board's letter of January 11th advising Centra of
6 this hearing on January 17th.

7

8 --- EXHIBIT NO. PUB 1: Board's letter of January 11th
9 advising Centra of this hearing on
10 January 17th

11

12 MR. BOB PETERS: And then PUB/Centra IXP
13 Exhibit 2-1 through 2-12 would be the Information
14 Requests advanced to Centra and Centra's responses.

15

16 --- EXHIBIT PUB/CENTRA IXP 2-1 to 2-12:
17 Information Requests advanced to Centra
18 and Centra's responses

19

20 MR. BOB PETERS: And the only other
21 exhibit that I suggest would be Centra Exhibit 1 which
22 would be Centra's interim ex-parte Application that was
23 dated December 10th, 2004.

24

25 --- EXHIBIT CENTRA 1: Centra's interim ex-parte

1 Application

2 dated December 10th, 2004.

3

4 MR. BOB PETERS: Subject to any
5 questions you may have of me at this time, Mr. Chairman,
6 those are my opening comments and I suggest Ms. Murphy
7 be canvassed for any opening comments and introductions
8 on the behalf of the Utility prior to the witnesses
9 being sworn. Thank you.

10 THE CHAIRPERSON: Thank you, Mr. Peters.
11 Ms. Murphy...?

12 MS. MARLA MURPHY: Good morning, Mr.
13 Chairman, Members of the Board, Board Advisors, ladies
14 and gentlemen. We're here this morning on Centra's
15 interim Application at the request of the Board to
16 answer any questions that you may have with respect to
17 the material that's been filed. I'll just take a moment
18 to introduce the witnesses.

19 I might note that we haven't filed CVs
20 for these witnesses in this particular proceeding. The
21 witnesses that are here this morning are known to the
22 Board; however, if you do wish a CV on record we can
23 undertake to file them.

24 THE CHAIRPERSON: That's not necessary.

25 MS. MARLA MURPHY: Thank you. By way of

1 introduction, to my immediate right, Mr. Vince Warden,
2 who's the CFO of Centra Gas. To his right, Mr. Darren
3 Rainkie, who's the Manager of Regulatory Services and at
4 the far end, Ms. Kelly Derksen, who is the Senior
5 Analyst of Gas Rates.

6 I don't have any formal comments to make
7 this morning. If the Witnesses could be sworn, we have
8 some brief direct evidence to give.

9 THE CHAIRPERSON: Thank you, Ms. Murphy.
10 Mr. Singh, would you swear or affirm the Witnesses?

11

12 VINCE WARDEN, Sworn
13 DARREN RAINKIE, Sworn
14 KELLY DERKSEN, Sworn

15

16 THE CHAIRPERSON: Thank you, Mr. Singh.
17 Ms. Murphy, any direct testimony from your witnesses
18 before they're cross-examined?

19

20 EXAMINATION-IN-CHIEF BY MS. MARLA MURPHY:

21 MS. MARLA MURPHY: Yes, please. I'm
22 just going to give direct evidence of Mr. Warden; the
23 other members of the Panel are here simply to answer
24 questions as -- as they're posed by the Board or Board
25 Advisors.

1 Mr. Warden, are you familiar with the
2 Application and evidence filed on behalf of Centra Gas
3 and marked as Exhibit Centra-1 in this proceeding?

4 MR. VINCE WARDEN: Yes, I am.

5 MS. MARLA MURPHY: And was that evidence
6 prepared under your direction and control?

7 MR. VINCE WARDEN: Yes, it was.

8 MS. MARLA MURPHY: And is that evidence
9 true to the best of your information and belief?

10 MR. VINCE WARDEN: Yes.

11 MS. MARLA MURPHY: Mr. Warden, would you
12 please summarize what Centra's requesting in the Interim
13 Rate Application?

14 MR. VINCE WARDEN: Yes. Good morning,
15 Mr. Chairman, Members of the Board, Board Advisors,
16 ladies and gentlemen.

17 In the Interim Rate Application, which
18 was filed with the Board on December the 10th, 2004,
19 Centra's requesting approval of an interim rate increase
20 of approximately 2 1/2 percent of overall revenue
21 effective February 1st, 2005, sufficient to generate
22 additional revenue to -- to Centra of \$3 million in
23 2004/05 and \$12 million in 2005/06.

24 In addition to the Interim Rate
25 Application filed on December 10th, Centra filed its

1 interim quarterly rate Application for primary gas on
2 January 6th, 2005. The quarterly Rate Application for
3 rates, also to be effective February 1st, 2005, requests
4 approval of rate decreases for all customer classes.

5 These rate decreases which are
6 attributable to decreases in prices of natural gas
7 supplied from Alberta, are referenced in Attachment 1 to
8 the quarterly Rate Application.

9 If approved, the combined bill impacts of
10 the interim Rate Application and the quarterly Rate
11 Application for a typical residential customer, will be
12 a decrease of approximately 2.7 percent or an annualized
13 bill decrease of thirty-six dollars (\$36) per year,
14 effective February 1st, 2005.

15 The annualized decrease for the large
16 general service and higher volume customers would range
17 from 3.8 percent to 6.9 percent.

18 MS. MARLA MURPHY: Could you please
19 explain why Centra is requesting Board approval of the
20 interim increase on an ex parte basis?

21 MR. VINCE WARDEN: Centra filed its
22 interim Rate Application on an interim ex parte basis in
23 advance of filing its General Rate Application for
24 2005/06 and 2006/07, primarily to reduce the losses that
25 would otherwise be incurred in the current fiscal year.

1 Centra has incurred losses in each of the
2 past two (2) fiscal years and will incur further losses
3 in 2004/05. This is of significant concern to Manitoba
4 Hydro and it's Board.

5 With the rate relief sought in the
6 interim Rate Application, Centra is projecting that net
7 losses in 2004/05 will be reduced from \$8 million to \$5
8 million.

9 For 2005/06, our next fiscal year, a 2
10 1/2 percent rate increase will result in a small net
11 income of \$2 million for that fiscal year. Without the
12 2 1/2 percent rate increase, in addition to the \$8
13 million loss projected for 2004/05, Centra is projecting
14 a net loss of \$10 million would be incurred in 2005/06.

15 Another reason that Centra has requested
16 that the interim rate increase be effective February the
17 1st, is that we believe it is important for all gas rate
18 changes to coincide with the timing of the quarterly
19 rate changes.

20 Customers are now accustomed to quarterly
21 rate changes for primary gas and we believe that to
22 avoid customer confusion, it would not be appropriate to
23 introduce another gas rate change out of step with the
24 quarter.

25 Therefore, if not implemented on February

1 the 1st, the next opportunity would be the quarterly
2 rate change date of May the 1st, which would not address
3 the urgency of Centra's financial situation.

4 It is also fortuitous that primary gas
5 rates are going down on February the 1st so that
6 customer impacts will, on balance, be positive.

7 Centra has recently filed the revenue
8 requirement portion of its General Rate Application with
9 the Board which provides supporting details for the
10 2004/05 fiscal year, as well as the 2005/06 and 2006/07
11 test years.

12 As part of that public hearing process,
13 Centra will request final approval of the interim
14 increase sought in this Application.

15 MS. MARLA MURPHY: Mr. Warden, has
16 Centra taken all possible steps to reduce its costs,
17 rather than to request more revenue from customers?

18 MR. VINCE WARDEN: I believe that
19 Centra's managed its costs such that they're as low as
20 they can be, without compromising safety, reliability,
21 customer service and efficiency of operations.

22 Of course, I fully expect that we will --
23 we will be cross-examined on this in detail at the
24 upcoming public hearing, but I -- I am very confident
25 that Centra will be able to demonstrate that its costs

1 have been prudently incurred and that its operations are
2 being managed efficiently and in the best interests of
3 ratepayers.

4 MS. MARLA MURPHY: Mr. Warden, could you
5 please briefly outline how Centra has approached the
6 allocation of the additional revenue requirement of \$12
7 million on an annual basis?

8 MR. VINCE WARDEN: Centra has allocated
9 the incremental revenue requirement of \$12 million in
10 the same proportion as the approved 2003/04 total
11 revenue requirement, excluding primary and supplemental
12 gas.

13 Centra's approach to the allocation of
14 the additional revenue requirement is based on the
15 detailed 2003/04 review that was approved by the Public
16 Utilities Board.

17 Centra will adjust the differences
18 between the rates proposed in the Interim Rate
19 Application and those that result from the detailed cost
20 allocation study that is currently being prepared as
21 part of the General Rate Application filing.

22 The costs allocation study will be filed
23 with the Public Utilities Board in February 2005.

24 MS. MARLA MURPHY: Could you please
25 briefly outline how Centra proposes to recover the

1 additional revenue requirement on a class by class
2 basis?

3 MR. VINCE WARDEN: For the SGS and LGS -
4 - that's the Small General Service and Large General
5 Service customer classes -- the additional revenue
6 requirement has been incorporated into the distribution
7 rate as the majority of the SGS and LGS non-gas costs
8 are recovered through this rate.

9 For the larger volume customer classes,
10 with the exception of the Special Contract class, the
11 additional revenue required has been incorporated into
12 the Distribution Demand Rate, as the majority of non-gas
13 costs are recovered through this rate.

14 With a Special Contract Class, the
15 additional revenue requirement has been incorporated
16 into the basic monthly charge as the majority of non-gas
17 costs are recovered through this component of -- of the
18 rate for this class of customer.

19 MS. MARLA MURPHY: Mr. Warden, are there
20 any additional considerations that you'd like to
21 highlight for the Board as part of it's review of
22 Centra's Interim Rate Application?

23 MR. VINCE WARDEN: Yes. In addition to
24 reducing the financial losses of Centra, approval of
25 this Application on an interim basis will also result in

1 less rate volatility for customers. Centra's billed
2 rates currently include net refund riders -- rate riders
3 that reduce the overall cost of gas to customers. These
4 riders are set to expire on July 31st, 2005.

5 By implementing the requested rate change
6 on February 1st, 2005, customers will not be faced with
7 both an increase in gas costs and the removal of refund
8 riders at the same time, and as I indicated earlier, the
9 February 1st, 2005 Primary Gas Application Request of
10 rate decrease, which will more than offset the increase
11 requested in this Application for system supply
12 customers.

13 I would also like to note that since
14 Manitoba Hydro acquired Centra Gas in 1999, the only
15 non-gas rate increase implemented was 0.4 percent
16 effective April 1st, 2003. Centra is faced with
17 increasing cost pressures, a larger customer base to
18 serve, more stringent environmental issues, higher bad
19 debt write-offs due to high gas prices and an increased
20 number of programs related to security and reliability
21 of the pipeline system.

22 On this basis, I believe that the
23 requested 2 1/2 percent rate increase is reasonable and
24 under the circumstances, manageable by customers. Thank
25 you.

1 MS. MARLA MURPHY: Thank you, Mr.
2 Warden. Mr. Chairman, that concludes the direct
3 evidence. The Panel is available for cross-examination.

4 THE CHAIRPERSON: Thank you, Ms. Murphy.
5 Thank you, Mr. Warden. Mr. Peters...?
6

7 CROSS-EXAMINATION BY MR. BOB PETERS:

8 MR. BOB PETERS: Yes. Thank you, Mr.
9 Chairman. Good morning to the Panel Members. My
10 questions as generally put are for the Panel to answer
11 and the Panel can fight amongst themselves as to who
12 will -- who will provide the Board with the answer,
13 recognizing that the Board would like the best evidence
14 available.

15 So, just as a starting point, Mr. Warden,
16 the Corporation recognizes that this is an interim
17 Application for new rates and it's not to be considered
18 for final rates at this time?

19 MR. VINCE WARDEN: Yes.

20 MR. BOB PETERS: And in the -- in the
21 discussion -- or sorry -- in the comments prior to my
22 questions of you, you fully expect that -- that the
23 basis for your requesting the interim ex parte order
24 will be further tested at the upcoming General Rate
25 Application?

1 MR. VINCE WARDEN: Yes, I do.

2 MR. BOB PETERS: And that's the General
3 Rate Application that has been filed with the Board on
4 January 10th?

5 MR. VINCE WARDEN: Correct.

6 MR. BOB PETERS: Would you agree, Mr.
7 Warden, that the evidence of Centra that supports the
8 interim rates is the same evidence that supports the
9 request for rates in the General Rate Application?

10 MR. VINCE WARDEN: Yes.

11 MR. BOB PETERS: Would it follow, and
12 does the Corporation agree, Mr. Warden, that if the
13 evidence does not support the GRA requests, then the
14 evidence also does not support the interim rate relief
15 requests?

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

18 MR. BOB PETERS: You've told the Board
19 that you're seeking interim rates on -- new interim
20 rates for February 1st, 2005. Correct?

21 MR. VINCE WARDEN: Correct.

22 MR. BOB PETERS: And while -- the rate
23 increases will vary by customer class, will they not?

24 MR. VINCE WARDEN: They will.

25 MR. BOB PETERS: So, while -- the

1 overall additional revenue targeted is 2 1/2 percent.
2 Correct?

3 MR. VINCE WARDEN: The overall revenue
4 requirement that we've calculated is approximately 2 1/2
5 percent to yield the revenue as I indicated in my
6 opening remarks.

7 MR. BOB PETERS: Okay. Just to make
8 sure I understand that, the Corporation is seeking, in
9 the interim rates, the equivalent of 2 1/2 percent of
10 additional annual revenue?

11 MR. VINCE WARDEN: Yes.

12 MR. BOB PETERS: You've quantified that
13 for the Board and as I understood it you would seek to
14 recover \$3 million in the current fiscal year if the
15 rate increase was awarded on February the 1st and you
16 had it in place for the month of February and the month
17 of March.

18 MR. VINCE WARDEN: That's correct.

19 MR. BOB PETERS: And on annual basis for
20 your next fiscal year, you would recover \$12 million out
21 of the same rate increase awarded on February the 1st of
22 '05.

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

24 MR. BOB PETERS: And just a quick
25 thought, perhaps Ms. Derksen or Mr. Rainkie, would it be

1 correct that the rates that you are designing to recover
2 the monies that Mr. Warden just spoke of, would be based
3 on normalized volumes?

4 MS. KELLY DERKSEN: Yes, sir, they are.

5 MR. BOB PETERS: Can you tell the Board,
6 Mr. Warden or Panel Members, whether the 2 1/2 percent
7 of additional annual revenue is the exact same
8 additional annual revenue that will be sought in the
9 GRA?

10 MR. VINCE WARDEN: The 2 1/2 percent
11 that we're seeking to implement February the 1st, is
12 identical to the 2 1/2 percent we're seeking in the GRA,
13 yes.

14 MR. BOB PETERS: And it's the same
15 amount of money, Mr. Warden, and it's also for the same
16 costs?

17 MR. VINCE WARDEN: It's to compensate or
18 to derive revenue sufficient to offset the same costs,
19 yes.

20 MR. BOB PETERS: Let me ask a few more
21 hypotheticals. If the Board awarded zero dollars (\$0)
22 as a result of the Application that's before them today,
23 does that change what you're seeking in the General Rate
24 Application in any way?

25 MR. VINCE WARDEN: No, it doesn't.

1 MR. BOB PETERS: And if the Board
2 awarded the full 2 1/2 percent of additional revenues
3 that are in the interim ex parte order effective
4 February 1st of 2005, would Centra would be seeking any
5 additional amounts in the upcoming GRA?

6 MR. VINCE WARDEN: No, it's really --
7 we're asking for a 2 1/2 percent increase and really the
8 question is the effective date. We're asking for the
9 effective date to be February the 1st, 2005 but if the
10 Board determined that wasn't to be approved, then we
11 would be seeking the effective date to be the next
12 quarterly rate change which would be May the 1st of
13 2005.

14 MR. BOB PETERS: And if the -- if the
15 quarter -- if the implementation of the additional 2 1/2
16 percent if the Corporation was successful in getting
17 that, if it was delayed from February 1st to May 1st,
18 the Corporation would forego the revenue that would
19 otherwise have been earned?

20 MR. VINCE WARDEN: Yes, although in the
21 past I think we have adjusted rates such that they're
22 the equivalent of 2 1/2 percent for the full year. So
23 we -- as you know our fiscal year starts on April the
24 1st, so if the Board determined that 2 1/2 percent
25 effective February the 1st wasn't to be approved, then I

1 believe Centra would seek to have the 2 1/2 percent rate
2 increase or the rate increase whenever was implemented
3 equivalent to 2 1/2 percent for the full fiscal year
4 commencing April the 1st.

5 So, depending on the hearing is held, May
6 the 1st may not even be possible for implementation. We
7 might have to go to August the 1st for implementation
8 and therefore we would be looking at adjusting whatever
9 the rate increase might have to be in order to recover 2
10 1/2 percent for the full fiscal year.

11 MR. BOB PETERS: What you're telling the
12 Board is that you would want to have a catch-up rate
13 rider to recover the additional revenue that would have
14 been earned had the rate increase gone in effect on
15 April the 1st of '05?

16 MR. VINCE WARDEN: That's correct.

17 MR. BOB PETERS: And what that really
18 means to the consumer is that if it was a 2 1/2 percent
19 increase starting April 1st, it could end up being a
20 higher percentage increase if it was -- if it was
21 awarded August the 1st?

22 MR. VINCE WARDEN: That's right. The 2
23 1/2 percent is equivalent to \$12 million for the full
24 fiscal year of '05/06 and that's the amount we're
25 looking to recover. And whatever that equates to in a

1 rate increase, that's what we're seeking.

2 MR. BOB PETERS: Am I correct, Mr.
3 Warden, what I hear you also saying is that is that if
4 the Board determines this interim ex parte Application
5 is not be approved, the Corporation will then -- will
6 forgo the \$3 million that you told the Board would be
7 recovered had the rates gone in effect on February 1st
8 of '05?

9 MR. VINCE WARDEN: Yes. We -- we would
10 then incur a, as I indicated earlier, a net loss higher
11 than we deem to be appropriate under the circumstances.
12 So the net loss would be 8 million rather than 5
13 million.

14 MR. BOB PETERS: And just another
15 question. If this Board, for any reason awards, let's
16 say, 1.5 percent of additional annual revenue in its
17 interim ex parte Order, does that in any way change what
18 the request is at the General Rate Application?

19 MR. VINCE WARDEN: We would still be
20 seeking to recover \$12 million in the fiscal year
21 '05/06, so yes, it would -- that would change what we
22 would be asking for in the General Rate Application.

23 Well, actually the General Rate
24 Application asks for 2 1/2 percent, \$12 million for
25 '05/06 and it would remain at that.

1 MR. BOB PETERS: And while the GRA would
2 remain at that -- that portion not -- sorry, if the
3 interim award was, let's say, 1 1/2 percent, then
4 instead of recovering \$3 million in the current fiscal
5 year, you'd recover something less than that, and that
6 would be -- there would be no further request for
7 additional revenue for that time period?

8 MR. VINCE WARDEN: For the months of
9 February, March, no, there would be no further requests
10 for that time period.

11 MR. BOB PETERS: Mr. Warden, in your
12 comments through Ms. Murphy you said that the
13 Corporation has taken steps to control its costs from an
14 internal perspective. Can you provide more details on
15 that at this time?

16 MR. VINCE WARDEN: Well, there really
17 hasn't been any special programs to control costs.
18 Costs control are a way of life for us at Manitoba Hydro
19 Centra Gas and we -- we do, I think, in my view we do a
20 good job of that.

21 So there's no special measures but
22 ongoing costs constraint is -- is a way of life for us.

23 MR. BOB PETERS: In these proceedings
24 that are interim ex parte, Mr. Warden, and this is a
25 little bit of a legal question so I'll alert Ms. Murphy,

1 but does the Corporation acknowledge that it carries the
2 onus of proof even in an interim ex parte Application?

3 MR. VINCE WARDEN: Yes, I'd agree with
4 that.

5 MR. BOB PETERS: And from a -- from a
6 perspective of the Company, does Centra acknowledge that
7 even if the Board awarded the interim ex parte
8 Application as you have filed it, any such approval
9 could be revoked or reversed at the General Rate
10 Application?

11 MR. VINCE WARDEN: Yes.

12 MR. BOB PETERS: And so that if the
13 Board did award any rate increases as a result of this
14 proceeding today, and it decided to revoke that approval
15 after hearing additional evidence and matters at the
16 General Rate Application, the rates, in essence, could
17 become refundable in that the difference would have to
18 be credited back to consumers if any monies were awarded
19 as a result of today's proceedings?

20 MR. VINCE WARDEN: Well, I think the
21 only circumstance under which they would be refundable
22 if the Board determined that we would get no rate
23 increase whatsoever and -- but any rate increase
24 reduction from the 2 1/2 percent, any subsequent rate
25 increase reduction would be factored into the rates

1 going forward.

2 MR. BOB PETERS: All right, I appreciate
3 that. Thank you. Does it then follow, Mr. Warden, from
4 Centra's position that it is open for this Board to
5 approve the interim ex parte Application as filed?

6 They could deny it or they could award
7 any amount between those two (2) extremes?

8 MR. VINCE WARDEN: Absolutely.

9

10 (BRIEF PAUSE)

11

12 MR. BOB PETERS: You've told the Board
13 that the 2 1/2 percent of additional annual revenue
14 sought in this Application will be the same as the 2 1/2
15 percent of additional revenue sought in the General Rate
16 Application as I've understood the evidence?

17 MR. VINCE WARDEN: Yes.

18 MR. BOB PETERS: And the details of that
19 2 1/2 percent of additional revenue which amounts to \$12
20 million on a -- on a fiscal year basis is going to be
21 provided in the details for the General Rate
22 Application?

23 MR. VINCE WARDEN: Correct.

24 MR. BOB PETERS: And at the General Rate
25 Application you acknowledge that there may Intervenor

1 that come forward?

2 MR. VINCE WARDEN: Yes.

3 MR. BOB PETERS: And they would be
4 expected to test the evidence as well?

5 MR. VINCE WARDEN: Yes.

6 MR. BOB PETERS: And they may choose to
7 also file additional evidence on their own?

8 MR. VINCE WARDEN: Yes.

9 MR. BOB PETERS: And at the end of that,
10 this Board will then have to adjudicate on the specific
11 details of the additional costs which give rise to the
12 request for the additional two (2) and a half percent of
13 annual revenue?

14 MR. VINCE WARDEN: Yes.

15 MR. BOB PETERS: In the matters before
16 the Board, can you explain briefly as to which of the
17 rate components -- which of the -- let me rephrase
18 question.

19 Is any amount of the \$12 million being
20 sought other than for the special contract customer
21 going to be recovered through the basic monthly charge?

22 MS. KELLY DERKSEN: No, sir.

23 MR. BOB PETERS: And is any amount of
24 the \$12 million attributable to primary gas?

25 MS. KELLY DERKSEN: No, sir.

1 MR. BOB PETERS: Does that mean then,
2 Ms. Derksen, that the \$12 million relates to
3 supplemental gas, transportation to Centra and
4 distribution to customer class?

5 MS. KELLY DERKSEN: We're kind of mixing
6 a little bit apples with oranges here, because there are
7 -- the -- the \$12 million is a result of changes to our
8 non-gas costs, but recognizing that non-gas costs are
9 embedded in each one of those particular rates.

10 So, yes, changes to supplemental
11 transportation and distribution, the vast majority of it
12 would be, obviously, through the distribution rate.

13 MR. BOB PETERS: I'm just getting a bit
14 of static from you more than usual this morning, Ms.
15 Derksen. I just wondered if you could use that other
16 microphone to your right? Maybe it'll -- you can slide
17 it over and it'll be better.

18
19
20

(BRIEF PAUSE)

21 MR. BOB PETERS: Thank you, Ms. Derksen.
22 As I took from your last answer, the Board should
23 consider this additional \$12 million to be additional
24 revenues required for non-gas costs; correct?

25 MS. KELLY DERKSEN: Yes, sir.

1 MR. BOB PETERS: And by far and away,
2 those non-gas costs are recovered through the
3 distribution costs and rates?

4 MS. KELLY DERKSEN: Yes, I would agree.

5 MR. BOB PETERS: And you're saying, you
6 did say to qualify that, there may be minor amounts that
7 would be recovered in -- in the supplemental gas rate or
8 in the transportation to Centra rate as well?

9 MS. KELLY DERKSEN: I'm not sure that I
10 would use the word, minor. There are some fair -- a
11 fair amount of non-gas costs embedded in the other rate
12 components, but it's far less than what's embedded in
13 the distribution rate.

14 MR. BOB PETERS: Now, in addition to
15 this \$12 million for non-gas costs, Ms. Derksen, will
16 the General Rate Application seek additional amounts of
17 money on account of supplemental gas or transportation?

18 MR. DARREN RAINKIE: Yes, Mr. Peters, we
19 plan to file our cost of gas information in February, as
20 well, and we will be looking for changes in those rates.
21 Assuming the hearing can happen in May or June we'll be
22 looking for the changes on August 1st, 2005 to those
23 components.

24 MR. BOB PETERS: All right. So the
25 Board should understand, then, that in addition to the 2

1 1/2 percent additional revenue being sought, or \$12
2 million dollars, as it's been quantified on a fiscal
3 year basis, the Corporation will also seek additional
4 amounts on account of supplemental gas and
5 transportation costs?

6 MR. DARREN RAINKIE: That's correct. We
7 -- they'll all be the forward-looking year '05/06 as
8 well as any deferral accounts to March 31st, 2005.
9 There's always two (2) components to that.

10 MR. BOB PETERS: And the -- the
11 specifics of the supplemental gas and transportation
12 costs, Mr. Rainkie, those have not yet been filed with
13 the Board as part of the General Rate Application, have
14 they?

15 MR. DARREN RAINKIE: That's correct.
16 It's coming in February.

17 MR. BOB PETERS: February 14th? Or is
18 that just a date I've picked out of the air?

19 MR. DARREN RAINKIE: That's our targeted
20 date, yes. It's February 14th.

21 MR. BOB PETERS: And happy Valentine's
22 Day to you. Just so that -- as we move forward, where -
23 - Mr. Rainkie, just -- and Board -- Panel Members, as we
24 move forward, the filing of materials in the General
25 Rate Application to date supports and addresses the \$12

1 million of non-gas costs. Would you agree with that?

2 MR. DARREN RAINKIE: Yes, I would agree
3 with that in that it has our -- our forecasts for
4 '04/05, '05/06 and '06/07.

5 MR. BOB PETERS: And the \$12 million of
6 additional non-gas costs is the basis of the Application
7 that's before the Board today, correct?

8 MR. DARREN RAINKIE: That's correct.

9 MR. BOB PETERS: All right, with that
10 and, unless there's an objection from Ms. Murphy, Mr.
11 Chairman I propose that the GRA binder of materials
12 which has now been filed with the Board, we just mark
13 that as Centra Exhibit 2, should there be a need to
14 refer to it later?

15 THE CHAIRPERSON: Hmm hmm. Any problem
16 with that, Ms. Murphy?

17 MS. MARLA MURPHY: No objections.

18 THE CHAIRPERSON: Be it so.

19

20 --- EXHIBIT NO. PUB/CENTRA-2: GRA binder of materials.

21

22 CONTINUED BY MR. BOB PETERS:

23 MR. BOB PETERS: In terms of the
24 Application before the Board this morning, you've noted,
25 Mr. Warden, that the -- that the Application is also

1 made on an ex parte basis; correct?

2 MR. VINCE WARDEN: Yes.

3 MR. BOB PETERS: And does that mean to
4 the Corporation that there's been no public notice and
5 no notice to any of the prior Intervenors?

6 MR. VINCE WARDEN: That's correct.

7 MR. BOB PETERS: You've told the Board
8 that the reason you've filed it on an ex parte basis was
9 in an effort to get rates that would reduce current
10 losses. That would be your primary motivation? Have I
11 got that right?

12 MR. VINCE WARDEN: Yes.

13 MR. BOB PETERS: Does that suggest,
14 then, that if the -- if the Board was to publish notice
15 of this matter, your concern is that you would not have
16 the process finished in time to get any award from this
17 Board at the end of the process, prior to February 1st?

18 MR. VINCE WARDEN: No. Really the main
19 reason that we didn't want to publish public notice is
20 that we don't want to confuse people with -- with a
21 notification of a primary gas rate change which may or
22 may not include a increase related to distribution
23 rates.

24 So, it was mainly to avoid customer
25 confusion that we did not want to publish anything until

1 we knew exactly what those rates would be.

2

3

(BRIEF PAUSE)

4

5

MR. BOB PETERS: In terms of the public
6 confusion, Mr. Warden, what you're suggesting to the
7 Board is that your February 1st primary Application will
8 be seeking primary rates to be reduced and what you have
9 before the Board in this interim ex parte Application
10 will seek to have certain rates increased; correct?

11

MR. VINCE WARDEN: Yes.

12

MR. BOB PETERS: And rather than have
13 those two (2) competing notices in the public domain,
14 you wanted to bring it to the Board and at the end of
15 it, you will issue one (1) notice to your customers as
16 to what the result is?

17

MR. VINCE WARDEN: That would be our
18 plan, yes.

19

MR. BOB PETERS: You also said that you
20 had a concern about rate volatility arising and that
21 also supported your coming forward on an interim ex
22 parte basis?

23

MR. VINCE WARDEN: Correct.

24

MR. BOB PETERS: And if I understood the
25 volatility component, you wanted rate increases, if you

1 were successful in getting them now, rather than defer
2 that to August the 1st, because on August the 1st, the
3 Corporation foresees a rate rider falling off and rates
4 will -- will revert back to what would presently be the
5 -- the base rate, which is higher than the billed rate?

6 MR. VINCE WARDEN: That's correct.

7 MR. BOB PETERS: And -- so the rates
8 will go up August 1st all things be equal. They would
9 have to go up even further if this increase waited until
10 August 1st to be implemented?

11 MR. VINCE WARDEN: Yes.

12

13 (BRIEF PAUSE)

14

15 MR. BOB PETERS: Mr. Warden, just in
16 terms of losses of the Corporation, in the Information
17 Requests, Mr. Chairman and Board Members that were asked
18 and answered by the Corporation, PUB/Centra IXP Number
19 11 sought some financial information that I'd like to
20 briefly refer to.

21

22 (BRIEF PAUSE)

23

24 MR. BOB PETERS: Mr. Warden, you have
25 your annual operating results from 90 -- or from fiscal

1 year 2000 and going forward in its answer to the
2 Information Request, correct?
3 MR. VINCE WARDEN: Correct.
4 MR. BOB PETERS: And when it says at the
5 top of the attachment on PUB/Centra IXP-11, the year
6 2000, that means the fiscal year ending March 31st of
7 2000, correct?
8 MR. VINCE WARDEN: Yes.
9 MR. BOB PETERS: And this was shortly
10 after Manitoba Hydro purchased the shares of Centra?
11 MR. VINCE WARDEN: Well the shares were
12 purchased in July of 1999 so the year ending March 31st
13 of 2000 is eight (8) months after the purchase date. So
14 that reflects eight (8) months as compared to the other
15 years which are twelve (12) months.
16 MR. BOB PETERS: And the other years
17 shown are full fiscal years?
18 MR. VINCE WARDEN: They are.
19 MR. BOB PETERS: What I notice on the
20 PUB/CENTRA/IXP-11 attachment is that in the year 2000
21 there was \$14 million of net income realized, correct?
22 MR. VINCE WARDEN: Yes.
23 MR. BOB PETERS: And that's in the eight
24 (8) month period, you told the Board?
25 MR. VINCE WARDEN: Correct.

1 MR. BOB PETERS: And in the following
2 years the next income represents a twelve (12) month net
3 income?

4 MR. VINCE WARDEN: Yes.

5 MR. BOB PETERS: In terms of the
6 retained earnings of the Corporation as shown on the
7 balance sheet, your starting point then would be the
8 fiscal year 2000 as to when you would start accumulating
9 retained earnings?

10 MR. VINCE WARDEN: That's right.

11 MR. BOB PETERS: And we see that in the
12 years following 2000, the Corporation made positive net
13 income up to and including -- well currently, even up to
14 2004, but in the years of '03 and '04 you have a
15 Corporation allocation there that reduces net income to
16 a loss position in those two (2) years?

17 MR. VINCE WARDEN: Yes.

18 MR. BOB PETERS: The years in which you
19 show the corporate allocations of \$15 million resulting
20 in the net loss for the year, that \$15 million is a
21 subject matter for the upcoming General Rate
22 Application. Would that be correct?

23 MR. VINCE WARDEN: Yes. I'm sure we'll
24 talk about it there.

25 MR. BOB PETERS: That \$15 million hasn't

1 been expressly approved by the Board heretofore, has it?

2 MR. VINCE WARDEN: No.

3 MR. BOB PETERS: And this would be your
4 first Application for the Board to review that and
5 approve that?

6 MR. VINCE WARDEN: Yes.

7 MR. BOB PETERS: In 2000 -- for the
8 fiscal year 2004, and I guess I -- that's the 2003/04
9 and that's the fiscal year ending March 31st, 2004,
10 there was net income of \$7 million, as I read this
11 information request answer?

12 MR. VINCE WARDEN: Net income is \$7
13 million before allocations, yes.

14 MR. BOB PETERS: And that was the same -
15 - is that for the same fiscal period in which you had
16 your last General Rate Application before this Board?

17 MR. VINCE WARDEN: Yes, the last rate
18 Application was effective April the 1st, 2003. The rate
19 increase applied to that fiscal year; correct.

20 MR. BOB PETERS: You told the Board in
21 your opening comments, Mr. Warden, that the only General
22 Rate Application for non-gas costs that the Corporation
23 advanced would then have been for the fiscal year ending
24 March 31st, 2004?

25 MR. VINCE WARDEN: Yes.

1 MR. BOB PETERS: And that gave rise to a
2 Board Order of 118/03, if I recall?

3 MR. VINCE WARDEN: I believe that's
4 right, yes.

5 MR. BOB PETERS: And prior to that,
6 Centra had been owned by West Coast Energy Inc. and they
7 had come forward for a General Rate Application back in
8 1998. Mr. Rainkie, do you recall that?

9 MR. DARREN RAINKIE: I do indeed.

10 MR. BOB PETERS: And when -- when you
11 came forward under Hydro's ownership for your first
12 General Rate Application in fiscal -- in the fiscal year
13 ending March 31st, 2004, you had explained to the Board
14 the purchase transaction and how the Corporation
15 intended to finance it and recover it through various
16 rates.

17 Would that also be correct?

18 MR. VINCE WARDEN: Yes.

19 MR. BOB PETERS: And not to belabour the
20 point, but just to have on the record, Mr. Warden, the
21 purchase price that Manitoba Hydro paid for Centra
22 shares was approximately \$519 million which included the
23 debt that was assumed?

24 MR. VINCE WARDEN: Well, the purchase
25 price was \$242 million.

1 MR. BOB PETERS: All right.

2 MR. VINCE WARDEN: That -- that is what
3 we paid for Centra.

4 MR. BOB PETERS: All right. In addition
5 to the \$242 million, you also assumed \$277 million of
6 West Coast Energy's prior debt?

7 MR. VINCE WARDEN: Well we assumed the
8 assets and liabilities of Centra Gas which included debt
9 as well as assets, yes.

10 MR. BOB PETERS: And is the \$277 million
11 amount approximately correct, from your recollection of
12 debt that was assumed?

13

14 (BRIEF PAUSE)

15

16 MR. VINCE WARDEN: Actually, that
17 doesn't sound right to me. It sounds more than what it
18 was at the time, but I'd have to -- I'd have to double
19 check that. But, no, that sounds too high.

20 But, irregardless of that, the purchase
21 price was \$242 million and the debt was assumed along
22 with, as I mentioned, the assets. So, looking at the
23 debt in isolation without looking at the assets probably
24 would not be appropriate in any event.

25 MR. BOB PETERS: Okay, that's fair. In

1 terms of your \$242 million that you paid, that included
2 an amount of -- that was for -- well, what did that
3 include, the \$242 million? What do you recall that
4 including?

5 MR. VINCE WARDEN: Well, that was a
6 negotiated price that we paid for -- to acquire the
7 shares of Centra Gas Manitoba.

8 MR. BOB PETERS: And when you acquired
9 the shares, you also wrote up Centra's assets by about
10 \$73 million?

11 MR. VINCE WARDEN: Well, yes. We went
12 through a -- a fair market value -- valuation of those
13 assets and there was a write up of the assets and
14 liabilities to current value.

15 MR. BOB PETERS: When you tell the Board
16 that you wrote up the value of the assets, why would the
17 Corporation do that?

18 MR. VINCE WARDEN: It's common practice
19 when a Company is acquired. When -- we didn't purchase
20 the assets, per se, we purchased the shares and it's --
21 would be appropriate at that time to revalue the assets
22 and liabilities in accordance with good accounting
23 policy practice.

24 MR. BOB PETERS: And was that -- that
25 was done by a consultant that you engaged in terms of

1 giving you the value?

2 MR. VINCE WARDEN: Yes, we engaged a
3 consultant to give us that fair market value.

4 MR. BOB PETERS: And, not to test our
5 memories too much, Mr. Warden, but you -- you also told
6 the Board that you wrote up the value of the
7 liabilities, I believe, that existed and if memory
8 serves me, that was about \$17 million. Do you recall
9 that?

10 MR. VINCE WARDEN: Actually, that number
11 does sound right, yes.

12 MR. BOB PETERS: Can you explain briefly
13 to the Board why you would write up the value of
14 liabilities?

15 MR. VINCE WARDEN: Well, very briefly,
16 that represented, at that point in time, the obligation
17 that Manitoba Hydro was assuming for that -- for that
18 debt of Centra Gas.

19 MR. BOB PETERS: That doesn't suggest
20 that the -- that the liabilities were incorrectly
21 recorded on Centra's balance sheet --

22 MR. VINCE WARDEN: Oh no, no. No. The
23 liabilities would have been recorded on Centra's balance
24 sheet prior to the acquisition at -- at the cost, but we
25 were -- we revalued, as I indicated, to market value at

1 the acquisition date.

2 MR. BOB PETERS: And then if I also
3 recall, Centra -- sorry, Manitoba Hydro then attributed
4 \$65 million of goodwill on account of the acquisition of
5 Centra's shares?

6 MR. VINCE WARDEN: Yes.

7

8 (BRIEF PAUSE)

9

10 MR. BOB PETERS: When Manitoba Hydro
11 took over and purchased the shares of Centra, the rates
12 that were in place at that time already had embedded in
13 them an amount on account of income tax as well as an
14 amount on return on equity. Is that correct?

15 MR. VINCE WARDEN: That's correct.

16 MR. BOB PETERS: There's approximately
17 \$12 million for income tax?

18 MR. VINCE WARDEN: Yes.

19 MR. BOB PETERS: And \$15 million for the
20 return on equity?

21 MR. VINCE WARDEN: That's approximately
22 right, yes.

23 MR. BOB PETERS: And in addition to your
24 acquisition, when Manitoba Hydro became the owner of the
25 shares, it triggered a tax liability for Centra Gas

1 Manitoba, Inc. in the neighbourhood of \$58 million.
2 Correct?

3 MR. VINCE WARDEN: Correct.

4 MR. BOB PETERS: Was that \$58 million
5 all on account of federal tax or was there some
6 provincial tax in -- in that as well?

7 MR. VINCE WARDEN: Federal and
8 provincial tax.

9 MR. BOB PETERS: Do -- do you know the
10 breakdown?

11 MR. VINCE WARDEN: Offhand, I -- I don't
12 recall, Mr. Peters, what the ratio was.

13 MR. BOB PETERS: Was the provincial
14 portion of that \$58 million -- was that -- was that ever
15 forgiven?

16 MR. VINCE WARDEN: No, the Provincial
17 Government received their -- their share of the \$58
18 million.

19 MR. BOB PETERS: And that \$58 million
20 tax liability, you're telling the Board, has been paid
21 off?

22 MR. VINCE WARDEN: Well, the payment --
23 cash payment -- was made and it's being recovered over
24 time.

25 MR. BOB PETERS: And it's being

1 recovered from ratepayers over time over thirty (30)
2 years?

3 MR. VINCE WARDEN: That's correct.

4 MR. BOB PETERS: And that was
5 approximately \$1.8 million per year including --
6 including carrying class?

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

8 MR. BOB PETERS: And while the rates
9 that --

10 MR. VINCE WARDEN: Mr. Peters, just for
11 clarification, I think you might have said 1.8 million
12 including carrying costs. It was just pointed out to me
13 that should be plus carrying costs.

14 MR. BOB PETERS: Thank you for that, Mr.
15 Warren and Mr. Rainkie.

16 Would it be correct to say that when
17 Manitoba Hydro acquired Centra's shares and the -- the
18 rates didn't change to consumers on the closing of the
19 transaction?

20 MR. VINCE WARDEN: They didn't change,
21 no.

22 MR. BOB PETERS: And they remained in
23 effect for a number of years?

24 MR. VINCE WARDEN: Until April 1st of
25 2003, yes.

1 MR. BOB PETERS: And you already told me
2 there was approximately \$12 million embedded in those
3 rates for when West Coast had to pay income tax and --
4 and that amount stayed in the rates. Correct?

5 MR. VINCE WARDEN: Yes.

6 MR. BOB PETERS: But you only used \$1.8
7 million a year to amortize the income tax liability and
8 I suggest then the balance was used to fund other non-
9 gas costs?

10 MR. VINCE WARDEN: Yes.

11 MR. DARREN RAINKIE: Mr. Peters, just to
12 -- there's also financing costs on that \$58 million and
13 I think when you look at the total of the -- just the
14 current numbers that we have on the GRA filing, you look
15 at the total of the amortization of that one (1) time
16 tax payment, plus the finance costs, I think it's in the
17 order of \$5 and half million. So, it's -- it's just not
18 the 1.8 million that you -- you've indicated.

19 MR. BOB PETERS: I'm sorry, what was the
20 approximately amount then, Mr. Rainkie?

21 MR. DARREN RAINKIE: I think it's about
22 \$5 and half million dollars and of course that amount
23 would be higher in the earlier years as we -- the -- the
24 financing costs go down as you gradually reduce the
25 principle of that amount, but just -- just for rough

1 numbers we're probably talking about five and half (5
2 1/2) to \$6 million in terms of -- of total tax costs,
3 both principle and finance amortize -- of -- of the 58
4 million, so it's not 11 million or 12 million in taxes
5 and minus one point eight (1.8), it would be a
6 differential of 12 million versus five and half (5 1/2)
7 to 6 million.

8 MR. BOB PETERS: What you're telling the
9 Board is that your obligation to retire that \$58 million
10 and recover it through consumer's rates has to include
11 carrying costs and the total of the principle in
12 carrying costs is closer to \$6 million a year than it is
13 to 2 million?

14 MR. DARREN RAINKIE: Yeah. That's --
15 that's correct.

16 MR. BOB PETERS: Mr. Rainkie, I -- I
17 appreciate this isn't a memory test today, but I did ask
18 if you could provide me with a breakdown of that 58
19 million as to how much was federal and how much was
20 provincial. Would you have that back at the office?

21 MR. VINCE WARDEN: Yes.

22 MR. BOB PETERS: Could -- could we ask
23 then, through your Counsel, to undertake to provide that
24 answer to the Board at your earliest opportunity?

25 MR. VINCE WARDEN: Sure. We'll do that.

1 MR. BOB PETERS: Appreciate that.

2

3 --- UNDERTAKING NO. 1: Provide breakdown of \$58
4 million Provincial and Federal tax
5 (answered page 52)

6

7 CONTINUED BY MR. BOB PETERS:

8 MR. BOB PETERS: Mr. Rainkie, in terms
9 of the carrying costs that are attached to the -- to the
10 \$58 million, can you or Mr. Warden tell the Board
11 whether those are carried at short-term borrowing rate
12 or is there an overall cost of capital rate? Or what
13 rate is used?

14 MR. DARREN RAINKIE: I think the numbers
15 that I was referring to, Mr. Peters, were carrying costs
16 at the overall rate of return. If you recall the
17 discussion that resulted in Order 118/03 we said because
18 that was a longer term liability that it would carry the
19 full rate of return as -- as opposed to just a short-
20 term rate of return. It's applied to periodic PGVA
21 accounts that are cleared out once a year.

22 MR. BOB PETERS: Thank you, Mr. Rainkie.
23 In terms of Centra's tax liabilities, included in the
24 materials in this Interim Ex Parte Application there's
25 an indication you pay corporate capital tax, is that

1 correct?

2 MR. DARREN RAINKIE: That's correct.

3 MR. BOB PETERS: And so does the parent
4 Corporation, Mr. Rainkie, is that correct?

5 MR. DARREN RAINKIE: That's my
6 understanding, yes.

7 MR. BOB PETERS: And do you know for how
8 many years -- well, first of all Centra has always paid
9 corporate capital tax or was there a -- was there a
10 period of time in which it didn't pay and subsequent to
11 Manitoba Hydro acquiring its shares?

12 MR. DARREN RAINKIE: My understanding is
13 that it's paid it all the way through.

14 MR. BOB PETERS: I may have to ask Mr.
15 Warden this, but, Mr. Warden, Manitoba Hydro now pays
16 corporate capital tax, correct?

17 MR. VINCE WARDEN: Yes, we do. Mr.
18 Peters just -- sorry, if I can just come back to that
19 for a moment. The -- in thinking about it further, I do
20 recall that the ratio of provincial to federal tax was -
21 - of the \$15 million, it was four (4) and eleven (11).
22 So four (4) to the provincial government, eleven (11) to
23 the federal government.

24 That ratio is 27 percent, 27.73, so that
25 would be of the \$58 million, 27 percent approximately

1 would have gone to the provincial government which works
2 out to \$16 million. I think those numbers are very
3 close but I can confirm those for you if you like.

4 MR. BOB PETERS: If -- if there's any
5 material change to that, please let us know. Otherwise
6 we'll accept that answer as your undertaking answer, Mr.
7 Warden.

8 MR. VINCE WARDEN: Okay, thank you.

9 MR. BOB PETERS: Thank you for that.
10 Mr. Warden, we're also talking taxes in terms of the
11 Manitoba Hydro's corporate capital tax. Correct my
12 memory if I'm failing here, but Manitoba Hydro has not
13 always paid a Corporation's capital tax here in the
14 province, has it?

15 MR. VINCE WARDEN: No that's correct.
16 It -- it started paying capital tax in the 1980's. I
17 don't recall the exact year, although it would have been
18 in the '80s that we started paying Corporation capital
19 tax.

20 MR. BOB PETERS: All right. And in
21 terms of Manitoba Hydro's ownership then of Centra,
22 you've told the Board that it was about \$242 million to
23 acquire Centra's shares and on top of that, Mr. Warden,
24 there were about \$12 million of acquisition costs and
25 integration costs?

1 MR. VINCE WARDEN: That's right.

2 MR. BOB PETERS: And so those numbers
3 added together of \$254 million were to be recovered
4 through -- through annual payments of about \$20.9
5 million on Manitoba Hydro's records?

6 MR. VINCE WARDEN: Yes. The \$20.9
7 million was calculated as the amount -- equal annual
8 amount required to recover the \$252 million over thirty
9 (30) years at a rate of, I believe it was, 7.4 percent I
10 think is the rate that we were using at the time.

11 MR. BOB PETERS: When you say equal
12 annual amount, Mr. Warden, does that imply that your
13 payments are not in that exact amount but the payments
14 themselves may -- may be different than that?

15 MR. VINCE WARDEN: Payments themselves
16 will be different but that was just the calculated
17 amount that -- on an annuity basis, yes.

18 MR. BOB PETERS: And of that, let's call
19 that \$21 million that was to be amortized over those
20 thirty (30) years, Mr. Warden, some of that was to be
21 paid off by synergies that were achieved within Manitoba
22 Hydro as a result of the acquisition of the gas utility?

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

24 MR. BOB PETERS: Was that in the
25 neighbourhood of at least \$3 million last time you had

1 come before the Board on that issue?

2 MR. VINCE WARDEN: Yes, we did indicate
3 that we were achieving a minimum of \$3 million and
4 subsequently have increased that to \$6 million.

5 MR. BOB PETERS: And last time you were
6 before the Board, the Board also approved a synergy
7 benefit transfer to help pay off that \$21 million
8 amortized amount a year. Is that correct?

9 MR. VINCE WARDEN: Yes.

10 MR. BOB PETERS: And that synergy
11 benefit transfer was from Centra to Manitoba Hydro?

12 MR. VINCE WARDEN: Correct.

13 MR. BOB PETERS: And it was in the range
14 of \$3 million a year?

15 MR. VINCE WARDEN: Yes.

16 MR. BOB PETERS: And when you were last
17 before the Board, the Board also noted that the amount
18 that was embedded in the rates that you inherited from
19 when West Coast Energy owned the shares, would have
20 returned you in the neighbourhood of \$14 million to \$16
21 million or let's say \$15 million for return on equity?

22 MR. VINCE WARDEN: Well, I think the --
23 prior to the acquisition, the net income of Centra was
24 in the range, in a normal year, was in the range of 12
25 to \$15 million.

1 And I think that's what the Board was
2 referencing when they indicated that -- that range of
3 net income would be available to Manitoba Hydro for
4 purposes of paying the acquisition costs.

5 We don't like to refer to it as a return
6 on equity, because that isn't what we were striving to
7 achieve. We were only looking to recover our costs
8 above the acquisition.

9 MR. BOB PETERS: Thank you, and I -- I
10 only refer to that as a return on equity, Mr. Warden,
11 because that was the initial purpose of it being put
12 into rates; is that correct?

13 MR. VINCE WARDEN: Under the previous
14 ownership.

15 MR. BOB PETERS: Under West Coast's
16 ownership.

17 MR. VINCE WARDEN: Yes, I agree.

18 MR. BOB PETERS: And -- and so for the
19 \$21 million a year that you have on equal annual
20 payments to pay off your acquisition -- to pay off
21 Manitoba Hydro's acquisition of Centra; the \$21 million
22 was going to be approximately fifteen (15) based on the
23 West Coast Energy return on equity amount plus a \$3
24 million synergy transfer from Centra to Manitoba Hydro
25 plus \$3 million of internal synergies that Hydro

1 recognized.

2 Have I got that captured correctly?

3

4 (BRIEF PAUSE)

5

6 MR. VINCE WARDEN: Well, I think that's
7 one (1) way of looking at it. The 15 million that we're
8 recording, though, and what -- with -- the 15 million
9 that's referred to in PUB/IX-11 -- IXP-11 is the
10 proportion of the synergies derived within Centra of the
11 \$21 million that would be borne by Centra ratepayers as
12 gas ratepayers, as opposed to electricity ratepayers.

13 So the total of 21 million is being
14 borne, 15 million by gas ratepayers, 6 million by
15 electricity ratepayers.

16

17 (BRIEF PAUSE)

18

19 MR. BOB PETERS: Just to make sure the
20 Board is clear on that concept, Mr. Warden, of that \$21
21 million, the last time you were before million, and the
22 electric customers were only responsible for \$3 at the
23 time.

24 Is that correct?

25 MR. VINCE WARDEN: At that time, that's

1 correct, yes.

2 MR. BOB PETERS: And you're telling the
3 Board that when they get into the GRA, they'll hear
4 evidence that that's changed?

5 MR. VINCE WARDEN: Well, what we do is
6 we re-assess, we -- although it's getting more and more
7 difficult to do as the time passes from the date of the
8 acquisition, but we do examine where those synergies are
9 being achieved in the respective utilities and allocate
10 the -- the costs on that basis.

11 So, the last time that was reviewed, the
12 ratio was fifteen (15) and six (6). So fifteen (15)
13 natural gas ratepayers, 6 million electricity
14 ratepayers.

15 And that's the way we're reflecting it
16 upon our financial statements.

17 MR. BOB PETERS: Do I take from your
18 answer, Mr. Warden, that while it may be difficult to
19 track and quantify the synergies, the Corporation is
20 still -- still doing that?

21 MR. VINCE WARDEN: Well, we identified
22 immediately following the acquisition -- actually some
23 of it before the acquisition, as to what we estimated
24 those synergies would be and we're still working towards
25 -- towards achieving some of those synergies.

1 The last major synergy to be achieved
2 would be with the billing system, integrating the
3 billing systems between electricity and gas.

4 So although we're not tracking them
5 specifically, we do refer back to the benchmarks that we
6 did establish at the time or shortly after the
7 acquisition and update those from time to time.

8
9 (BRIEF PAUSE)

10
11 MR. BOB PETERS: Well, I also heard you
12 tell the Board that last time you were here before the
13 Board on a General Rate Application for Manitoba -- for
14 Centra Gas, the -- the synergies that were attributed to
15 the parent Corporation were 3 million and today you're
16 saying that that's now doubled and it's, in fact, \$6
17 million of synergies internal at Manitoba Hydro as a
18 result of the acquisition of Centra?

19 MR. VINCE WARDEN: Yes.

20 MR. BOB PETERS: And when we -- when we
21 look at the PUB/IXP-11 and see the -- the corporate
22 allocation of \$15 million, that \$15 million, then, is
23 what you have told the Board is to be the proportion of
24 synergies that the gas side of the business is to put
25 forward to the parent Company to -- that -- that will be

1 used to pay off the purchase price.

2 MR. VINCE WARDEN: Correct.

3 MR. BOB PETERS: And that \$15 million,
4 I just want to make sure I understand your answer, Mr.
5 Warden, that is the \$15 million that, when West Coast
6 held the shares, would have been known as the return on
7 equity portion?

8 MR. VINCE WARDEN: No, I wouldn't
9 necessarily equate the two (2). The fact that the
10 numbers are approximately the same or are the same is
11 more coincidence than anything else. That's just the
12 calculated amount that gas ratepayers must bear in order
13 to -- to finance the acquisition. So, it's coincidental
14 that it equals the amount of the return on equity of
15 West Coast.

16 MR. BOB PETERS: All right. If it's
17 coincidental does that mean, then, that it's in addition
18 to what was previously considered return on equity?

19 MR. VINCE WARDEN: No, I wouldn't say
20 it's in addition to. I think you have -- you can't look
21 at one (1) line in isolation, you have to look at the
22 costs in totality before and after acquisition because
23 there's going to be -- obviously because the acquisition
24 was 100 percent debt financed, the finance costs are
25 going to be higher after the acquisition than they were

1 before the acquisition when it was financed with
2 shareholder equity.

3 So, you have to look at the cost in
4 totality and can't really look at the \$15 million in
5 isolation.

6 MR. BOB PETERS: Okay, what you're
7 telling the Board, then, is that the answer to that
8 question has to be looked at through the General Rate
9 Application and not in the Interim Ex Parte Application?

10 MR. VINCE WARDEN: Well, we could
11 certainly look at it, but it would very high level, but
12 probably the most appropriate place to look at in detail
13 would be through the General Rate Application, yes.

14 MR. BOB PETERS: All right. When you
15 say, \$12 million is the subject of the Interim Ex Parte
16 Application request, is any of that \$12 million included
17 in the \$15 million of corporate allocations?

18 MR. VINCE WARDEN: I'm not sure I
19 totally understand your question, Mr. Peters.

20 MR. BOB PETERS: Let me rephrase it.
21 You're asking the Board for approval on an interim ex
22 parte basis of rates that would generate on a fiscal
23 year, an additional \$12 million?

24 MR. VINCE WARDEN: Additional revenue,
25 yes.

1 MR. BOB PETERS: And is any of that
2 additional revenue that you are seeking to go to that
3 line item that's called, "Corporate Allocations" on the
4 Statement of Income?

5 MR. VINCE WARDEN: Yes. We're trying to
6 reduce that net loss that was indicated in '03/04 of \$8
7 million. We're projecting a net loss for '04/05 of a
8 similar amount. We're trying to reduce that net loss,
9 that bottom line number, through an -- an additional \$3
10 million of -- of revenue.

11 So, the -- the \$12 million would flow to
12 the bottom line to us and all the costs of -- being
13 incurred by Centra Gas -- of which corporate allocations
14 is one (1) line item, yes.

15 MR. BOB PETERS: All right. And the
16 last time you were before the Board in the GRA for the
17 fiscal year ending March 31st of 2004, there was a \$3
18 million synergy benefit transfer approved that would
19 flow from Centra to Manitoba Hydro. Correct?

20 MR. VINCE WARDEN: There was. I think
21 that might, though, be getting into a level of detail --
22 I believe there was also an amount of \$49 million
23 approved for the operating and administrative costs of
24 which the \$3 million could be considered an amount in
25 addition to that. You add the two (2) together you get

1 allocation keep the electricity side whole? Is that the
2 intent?

3 MR. VINCE WARDEN: It does.

4 THE CHAIRPERSON: Thank you.

5

6 (BRIEF PAUSE)

7

8 MR. BOB PETERS: Mr. Warden, I want to
9 get back to the ex parte part of this Application,
10 briefly. You told the Board that there was a General
11 Rate Application before them for the year ending March
12 31st, 2004, a result of which the Board issued Order
13 118/03.

14 MR. VINCE WARDEN: Correct.

15 MR. BOB PETERS: And at that time, that
16 Order was issued in approximately July -- I think it was
17 July 29th to be exact, of 2003?

18 MR. VINCE WARDEN: I'm informed that's
19 correct, yes.

20 MR. BOB PETERS: All right. And I
21 assume that Centra would have done its integrated
22 financial forecast in the fall of 2003?

23 MR. VINCE WARDEN: The integrated
24 financial forecast is done in the fall of each year,
25 yes.

1 MR. BOB PETERS: So after the last GRA,
2 then, an IFF would have been done?

3 MR. VINCE WARDEN: Yes.

4 MR. BOB PETERS: And would I be correct
5 that that IFF would have been done then, in the fall of
6 2003 and it would have forecasted a loss for fiscal
7 2004?

8 MR. VINCE WARDEN: Yes.

9 MR. BOB PETERS: And it would have also
10 forecast a loss for the fiscal 2005?

11 MR. VINCE WARDEN: Yes, it would, at
12 approved rates. Yes, yes it would.

13 MR. BOB PETERS: So if the Corporation -
14 - the Corporation then would have had its forecasts back
15 in the fall of '03, why was no Application made then for
16 a General Rate Application for the gas Company?

17 MR. VINCE WARDEN: Well, we -- we
18 probably could have in retrospect. I think having just
19 been through a rather intensive hearing requesting a
20 rate increase of 1.4 percent through that Application
21 and being awarded 0.4 percent, we -- the intent was, or
22 at least the plan was to file an Application every two
23 (2) years.

24 At that time, in the fall of 2003, we
25 were -- would have been very preoccupied with what was

1 going on with the electricity side of the business. We
2 were in the midst of a very serious drought.

3 So our efforts were probably more
4 directed and more concerned with what was happening
5 there.

6 So there's only so much we can do on the
7 regulatory front. We only have -- we use the same
8 resources for both electricity and gas so we -- we put
9 the emphasis where our priorities were, and at that it
10 was on the electricity side of the business.

11 MR. BOB PETERS: Is that the same answer
12 as to why a GRA wouldn't have been filed in the fall,
13 let's say, of 2004?

14

15 (BRIEF PAUSE)

16

17 MR. VINCE WARDEN: The process is, the
18 integrated financial forecast is presented to the -- to
19 the Board of Manitoba Hydro in October or November of
20 the -- of the fiscal year, of the year.

21 In 2004, it was actually presented in
22 October, so -- I believe it was October 21st. We made a
23 rate -- made a recommendation to the Board which was
24 approved at that time to file a rate Application for gas
25 for a rate increase that was filed on December the 6th.

1 So it did flow out of that approved Board
2 proceeding on -- in October. So I think in terms -- in
3 answer to your question, the filing was made as soon as
4 practical after approval was received by our -- our
5 Board.

6 MR. BOB PETERS: Thank you. Mr.
7 Chairman, this may be an appropriate time for the
8 morning recess. I'll just go over my notes and move to
9 a new area when we come back?

10 THE CHAIRPERSON: Very good. Okay we'll
11 the break now and come back in fifteen (15) minutes,
12 thank you.

13

14 --- Upon recessing at 10:20 a.m.

15 --- Upon resuming at 10:46 a.m.

16

17 THE CHAIRPERSON: Whenever you're ready,
18 Mr. Peters.

19

20 CONTINUED BY MR. BOB PETERS:

21 MR. BOB PETERS: Thank you. Before the
22 break, Mr. Warden, we had talked about Manitoba Hydro's
23 purchase of the shares of Centra. And while we didn't
24 agree on the amount of the debt that Manitoba Hydro
25 assumed as part of that transaction, there was a debt

1 that was assumed and I take it that debt would have been
2 refinanced by Manitoba Hydro. Would that -- would that
3 be correct?

4 MR. VINCE WARDEN: To the extent that it
5 was -- we could borrow at lower rates. Yes, there --
6 there was some low cost there that we retained.
7 Otherwise it was all refinanced, yes.

8 MR. BOB PETERS: And if you refinanced
9 it, you would have the benefit of the Provincial
10 Government guarantee behind Manitoba Hydro?

11 MR. VINCE WARDEN: Yes.

12 MR. BOB PETERS: And for that there is a
13 provincial debt guarantee fee that you pay, correct?

14 MR. VINCE WARDEN: Correct.

15 MR. BOB PETERS: That amount is
16 presently at what percent on every dollar of debt?

17 MR. VINCE WARDEN: It's 0.95 percent.

18 MR. BOB PETERS: And was that the amount
19 at the time of acquisition, was it the same amount, do
20 you recall?

21 MR. VINCE WARDEN: I believe it was
22 right at the time of it going from -- it went from point
23 nine zero (.90) to point nine five (.95) and I believe
24 it went up in that time frame.

25 MR. BOB PETERS: All right. In addition

1 to the assumed debt that Manitoba Hydro took on, you've
2 told the Board that the purchase price was an additional
3 \$242 million. Correct?

4 MR. VINCE WARDEN: Yes. Yes.

5 MR. BOB PETERS: And that \$242 million,
6 that -- was that all financed through debt?

7 MR. VINCE WARDEN: It was.

8 MR. BOB PETERS: And that was Manitoba
9 Hydro, again, going out and borrowing the money to
10 purchase the shares of Centra?

11 MR. VINCE WARDEN: Correct.

12 MR. BOB PETERS: And when it borrowed
13 the money to purchase Centra's shares, it would also pay
14 carrying costs on that money including the Provincial
15 Debt Guarantee Fee?

16 MR. VINCE WARDEN: That's right.

17 MR. BOB PETERS: And when Manitoba Hydro
18 has incurred the Provincial Debt Guarantee Fee, does it
19 recover that amount from Centra?

20 MR. VINCE WARDEN: To the extent that
21 Centra's proportion of the debt is -- we lost the gas
22 rate -- yes. It would be recovered from Centra, yes.

23 MR. BOB PETERS: Is there an additional
24 Debt Guarantee Fee on the same money that Hydro has
25 borrowed and then provides to Centra?

1 MR. VINCE WARDEN: Well, the vast
2 majority of our borrowing is through advances from the
3 Province of Manitoba, which all bears the -- the Debt
4 Guarantee Fee. And therefore that same -- that fee
5 would be factored into the rate that Manitoba Hydro
6 charges to Centra on any advances, et cetera, received
7 from -- from Hydro.

8 MR. BOB PETERS: So the Debt Guarantee
9 Fee isn't charged twice, in effect?

10 MR. VINCE WARDEN: No, no.

11 MR. BOB PETERS: But it's recovered --
12 it's paid by Manitoba Hydro and then recovered from
13 Centra to the extent it's Centra's debt?

14 MR. VINCE WARDEN: Correct.

15 MR. BOB PETERS: Ms. Derksen, I have
16 more questions for you coming up, but when -- when we
17 talk this morning of rates being designed to recover an
18 additional \$12 million, that was based on rates that
19 would be put in place that would take into account
20 normalized weather; correct?

21 MS. KELLY DERKSEN: Yes, sir.

22 MR. BOB PETERS: Now, if the weather was
23 colder than what is normal, Centra would recover more
24 than the \$12 million; does that follow?

25 MS. KELLY DERKSEN: Yes, sir. Centra is

1 at risk for either colder than normal weather or warmer
2 than normal weather, as the case might be.

3 MR. BOB PETERS: Well, I'm not sure I'm
4 going to agree with you on the words, At risk, but if --
5 if the weather is colder than normal, than the metres
6 are spinning more than you thought and there will be
7 additional revenues recovered by Centra over and above
8 the \$12 million for non-gas costs that you're seeking in
9 the -- in the Interim Ex Parte Application?

10 MS. KELLY DERKSEN: Yes, sir.

11 MR. BOB PETERS: But the risk part of it
12 comes, Ms. Derksen, if the weather is warmer than normal
13 and not as much gas is needed, then the rates will not
14 recover the \$12 million of non-gas costs that are being
15 sought in this Application?

16 MS. KELLY DERKSEN: That's true as well,
17 yes.

18 MR. DARREN RAINKIE: Mr. Peters, I would
19 add in addition, there's a forecasting risk involved in
20 there as well. There's -- you know, it's -- it's not
21 just weather, it's -- it's forecasting customer
22 additions and average use and those type of -- and
23 efficiency gains and those types of things.

24 MR. BOB PETERS: But to the extent that
25 your forecast is incorrect, there will be an impact

1 either positive or negative on your -- on your number,
2 Mr. Rainkie?

3 MR. DARREN RAINKIE: That's correct.

4 MR. BOB PETERS: And, Mr. Chairman, I
5 had a couple of questions that I thought I would provide
6 to Centra's Counsel in advance. And one of them was to
7 indicate the percentage increase in the consumer price
8 index from the level that it was just prior to Manitoba
9 Hydro's acquisition of Centra's shares to what it is up
10 until December of 2004.

11 And I'm not sure if the Corporation has
12 had a chance to -- to pull that information together or
13 not, but if so, perhaps they could provide it at this
14 time?

15 MR. VINCE WARDEN: Yes, Mr. Peters, we
16 do have that information. The CPI Index -- this is CPI
17 Winnipeg -- at June of 1999 -- it's a month before the
18 date of the acquisition -- was 115.2 and that's based on
19 June of 1992 equalling one hundred (100), so one -- one
20 fifteen point two (115.2) June '99, one twenty-nine
21 point five (129.5) at November 30th, 2004. December
22 numbers won't be out until later this week.

23 So that represents an increase of 12.4
24 percent over that sixty-four (64) month period.
25 Annualized basis that works out to 2.3 percent per year.

1 MR. BOB PETERS: Thank you for -- for
2 researching that and the math as well, Mr. Warden. Mr.
3 Warden, while I'm hearing from you on that, I'd also
4 want us to know if the Corporation could provide
5 calculations of the annual returns on invested capital
6 that Manitoba Hydro has earned on its investment in
7 Centra since the acquisition until -- perhaps projected
8 through to March 31st, 2005?

9 MR. VINCE WARDEN: Yes, Mr. Peters,
10 there's a little more difficulty with this question
11 because really, as I think I might have indicated
12 earlier, return is not something that we endeavour to
13 achieve through our investment -- investment that we
14 made to acquire the gas Company was not for purposes for
15 earning a return.

16 It was only to provide the one-stop --
17 all the objectives we stated at the day of the
18 acquisition the one-stop energy Company providing lower
19 rates to customers than they would otherwise be. So to
20 the extent that we achieve that, the return is -- flows
21 directly to ratepayers.

22 Therefore my answer to the question, what
23 is the return on the investment in Centra, I would say
24 it's zero (0) because it was not intended to be a return
25 from the outset and therefore there is -- there is no

1 return as -- as it should be.

2 MR. BOB PETERS: Well, I'm not going to
3 put you in charge of my RRSP, but leaving that aside,
4 Mr. -- Mr. Warden, you're telling the Board then that at
5 the end of the day Manitoba Hydro is happy if the
6 retained earnings line of the gas Company is zero (0)?

7 MR. VINCE WARDEN: No, I don't think I
8 said that. I indicated that it was not our objective to
9 earn a return on our investment in Centra. That doesn't
10 mean that Centra shouldn't have a -- a balance sheet
11 that is financially sound. And therefore to achieve
12 that soundness there should be some retained earnings in
13 -- in Centra.

14 And you would expect that retained
15 earnings ratio should be similar to what it is in the
16 parent Company 75/25 is the ratio we're striving to
17 achieve and that would be the long term objective for
18 Centra as well. That doesn't equate to return on
19 investment.

20 MR. BOB PETERS: What is the present --
21 the present capital structure of the gas utility?

22 MR. VINCE WARDEN: Well, the capital
23 structure is as indicated on the financial statements
24 that we just reviewed as part of the interim filing. If
25 you refer back to IXP number 11, I believe it is. So

1 the financial structure is as indicated on the -- on the
2 balance sheet, page 2, IXP-11.

3 MR. BOB PETERS: Thank you, Mr. Warden,
4 I'll -- I may have more questions on this but it will be
5 another day another time for those and we'll chat at
6 that time.

7 THE CHAIRPERSON: Mr. Peters, if I can
8 just interject please. I imagine the difficulty in
9 looking at the balance sheet of Centra Gas is that it's
10 a wholly owned subsidiary and on a consolidated or Hydro
11 basis, you're borrowing all the money to -- to operate
12 this particular Company.

13 And not necessarily for this day but as
14 Mr. Peters says, if your goal is to sort of mirror your
15 overall consolidated target of 75/25, I'm wondering how
16 -- how do you accomplish that by simply making, sort of,
17 Hydro whole by the transfer to corporate allocations?

18 Because if you look at your balance sheet
19 here, the owners' equity is represented by debt, the
20 rest of the long term debt.

21 And the retained earnings appear only to
22 have arisen by the fact that there was no corporate
23 allocation charge in the initial years after the -- the
24 acquisition.

25 So, I just leave you with that thought.

1 I'm wondering if you have any comment on that?

2 MR. VINCE WARDEN: Well, the calculation
3 of the debt equity ratio would take into account the --
4 the debt, the long term debt as indicated on the -- on
5 the balance sheet of \$251 million plus the \$39 million
6 due to parent, as well as the \$27 million of retained
7 earnings.

8 So it would be -- the ratio would be \$251
9 million plus thirty-nine (39) over two fifty one (251)
10 plus thirty-nine (39) plus twenty-seven (27) to
11 calculate the ratio of -- of -- to calculate the debt
12 ratio, which works out to a debt equity ratio of -- I
13 actually don't have the ratio right in front of me, but
14 it's going to be a very -- very high debt ratio that --
15 that we calculate.

16 THE CHAIRPERSON: Mr. Warden, I wasn't -
17 - you know, we didn't provide it through an IR and it's
18 -- I didn't mean necessarily for you to be obliged to
19 respond immediately on it, but I'm just commenting that
20 Hydro has, on a consolidated basis, you set your target
21 at 75/25.

22 When it comes to Centra, basically you've
23 borrowed all the money to operate the Company, so if you
24 -- if you produce no extra return, you will never to
25 manage to mirror the -- the real result, not necessarily

1 the book appearance of the result.

2 MR. VINCE WARDEN: Unless we billed
3 retained earnings sufficient to offset the debt that was
4 borrowed -- the amount that was borrowed.

5 THE CHAIRPERSON: Suggesting for a
6 longer term view at some point that to do that, would be
7 -- it's not like the many years of operations of
8 Manitoba Hydro and the accumulation of returned earnings
9 over long periods of time.

10 It's just basically a comment. I don't -
11 - I'm just trying to understand whether you've turned
12 your minds to exactly how you would mirror or represent
13 the debt equity ratio of the gas operation as opposed to
14 that of the electricity operation.

15 MR. VINCE WARDEN: Mr. Chairman, we --
16 we don't -- we haven't established formal financial
17 targets for the gas operation, other than we obviously -
18 - the retained earnings are very, very low at this time
19 and we -- we should be building retained earnings to a
20 point where the calculation would yield a similar debt
21 equity ratio as it is in the parent Company.

22 Now, it is complicated for the reasons
23 you mentioned, because of the advance coming from --
24 from the -- the parent Company and the -- and the
25 corporate allocation necessary to service that -- that

1 full cost allocation was run at that time. We also had
2 an -- a separate cost allocation to deal with the cost
3 of gas hearing that transpired in -- as part of 2004/05.

4 MR. BOB PETERS: And so what you're
5 telling the Board is that whenever Centra has increased
6 costs, if you run it through the cost allocation model,
7 you do that for the purpose of determining who's
8 responsibility it is to pay for that cost?

9 MS. KELLY DERKSEN: That's the ultimate
10 goal, yes.

11 MR. BOB PETERS: And in the Interim Ex
12 Parte Application that's before the Board today, that
13 was not done?

14 MS. KELLY DERKSEN: A full cost study
15 was not done, right.

16 MR. BOB PETERS: Can you tell the Board
17 why it was not done?

18 MS. KELLY DERKSEN: Mr. Peters, to
19 complete a full cost allocation study is a significant
20 amount of work. We start at functionalising costs, we
21 then classify costs. And we allocate costs. In order
22 to be able to accomplish that we need to have a line-by-
23 line review of all the revenue requirement components as
24 well as capital so that we can understand the nature of
25 the costs, what drives those costs and who should

1 ultimately be responsible.

2 In doing that, I need to sit down with
3 all the managers and the division managers at Centra to
4 understand that information. There are a number of
5 studies that are completed that are embedded within that
6 full cost allocation study. For example, the
7 functionalising phase we have a diameter length study
8 which determines for your distribution means, what
9 portion of your distribution means relates to the
10 functionalization factor called distribution.

11 And how much of that would be on-site or
12 how much potentially would flow ultimately to your basic
13 monthly charge. And we also do an in-depth review of
14 all the capital that supports the organization. And
15 while capital doesn't ultimately impact your rate for
16 the test period, it's used to drive the allocations of
17 depreciation expense, finance expense, taxes, and so
18 forth.

19 So it -- that particular phase is fairly
20 lengthy and then we need to figure out what the -- the
21 driver of those costs are. Are they impacted by the
22 number of customers? Are they impacted by the volume
23 through-put that goes to your pipe, are they impacted by
24 demand on your system?

25 And the final phase which is also usually

1 the most controversial is the -- the allocation phase.
2 And we, too, go through a fair amount of work to
3 determine for example, the operating and maintenance
4 costs that we incur. And at Centra I will sit down
5 again with all of the managers and division managers to
6 understand who are the beneficiaries of the services
7 that we provide.

8 And so it's -- and also in that
9 particular one we do service and meter studies. We need
10 to identify how much of our plant is -- is service
11 related because that would specifically relate to a
12 customer. And one of our primary goals and cost
13 allocation or rate design is to allocate cost to those
14 who cause it to -- to be incurred.

15 And so it's a very time consuming
16 process. And that's just the cost allocation phase.
17 You then go through the same type of process through the
18 rate design phase and once that's done you need to go
19 through that same process all over again for all your
20 deferral and PGVA balances. So, it's months worth of
21 work and it's not yet complete.

22 MR. BOB PETERS: When you say it's
23 months worth of work and not yet complete, I take it
24 you're working on it presently so you can file it with
25 the Board in support of the General Rate Application

1 that's coming forward?

2 MS. KELLY DERKSEN: Yes, sir.

3 MR. BOB PETERS: Put another way, Ms.

4 Derksen, had you had additional runup time to this
5 interim ex parte order, you may have been able to
6 provide a cost allocation study of these additional
7 costs? But in light of the time, you haven't been able
8 to do that?

9 MS. KELLY DERKSEN: That's true.

10 MR. BOB PETERS: And so, Ms. Derksen,
11 the Board has before it what I will term and I think you
12 did in your evidence, a temporary proposal for the \$12
13 million or whatever amount if any, is awarded as a
14 result of the Interim Ex Parte Application?

15 MS. KELLY DERKSEN: Yes. The temporary
16 solution allocates the \$12 million incremental revenue
17 deficiency and if any amount other than the \$12 million
18 is ultimately approved through this process I would have
19 to do a similar process to -- to deal with that.

20 MR. BOB PETERS: And I'll draw your
21 attention, Ms. Derksen, and the Board's to Page 6 of 8
22 of the Interim Ex Parte Application filing.

23 On Page 6 of 8, Ms. Derksen, is your
24 temporary proposal, I take it, that you have before the
25 Board. Is that correct?

1 MS. KELLY DERKSEN: Yes, sir, it is.

2 MR. BOB PETERS: And what you're showing
3 the Board is that you want to allocate the \$12 million
4 to the various customer classes, based on that class'
5 proportionate share of the, essentially, distribution
6 and transmission costs?

7 MS. KELLY DERKSEN: I would have said
8 total revenue requirement excluding primary and
9 supplemental gas costs, but we're on the same page, Mr.
10 Peters.

11 MR. BOB PETERS: All right, so, what you
12 -- what you've done is, you've taken the total approved
13 revenue requirement from the last GRA of approximately
14 \$499 million and you've backed out the -- the commodity
15 portion of customer costs. Is that correct?

16 MS. KELLY DERKSEN: Yes, sir.

17 MR. BOB PETERS: And so you're left
18 with, and I said, distribution and transportation and
19 you'd agree with me that that's basically what you're
20 left with?

21 MS. KELLY DERKSEN: Much of that I
22 completely agree, Mr. Peters. There are some other gas
23 costs embedded in the \$187 million that you see the
24 bottom line on Page 6 of 8.

25 For example, we incur TransCanada

1 pipeline tolls in our pipeline tolls, and some storage
2 costs that have not been removed from that amount.

3

4

(BRIEF PAUSE)

5

6

MR. BOB PETERS: And in one of the
7 interim ex parte Information Requests asked, Number 3,
8 you show that the non-gas portion of that revenue
9 requirement is in the range of \$120 million but the
10 difference, then, between the hundred and twenty (120)
11 and the hundred and eighty-seven (187) represents that -
12 - those different costs that you've just referred to
13 that would be found elsewhere?

14

MS. KELLY DERKSEN: Yes, sir, and those
15 -- that \$50 million difference or approximate \$50
16 million difference, would ultimately flow into the
17 transportation to Centra charge.

18

19

(BRIEF PAUSE)

20

21

MR. BOB PETERS: Ms. Derksen,
22 recognizing what you've done here, and I don't mean it
23 pejoratively, but the back of the envelope allocation,
24 as I call it, and you've done it, actually, in smaller
25 space than the back of an envelope, but you've done it -

1 - you've done it on a what I'll call high level.
2 Would you agree with that? Would that be
3 fair?

4 MS. KELLY DERKSEN: I think so, sir,
5 yes.

6 MR. BOB PETERS: All right. At the end
7 of the day, the Board's going to have to consider
8 whether it grants your request and if it does, how fair
9 is it for the Board to allocate the \$12 million based on
10 your high level approach as opposed to running it
11 through the cost allocation model?

12 MS. KELLY DERKSEN: I think that's one
13 of the considerations the Board needs to -- to weigh. I
14 just wanted to comment, though, Mr. Peters, and we've
15 specified a number of reasons why we think this is
16 reasonable at this time.

17 One of those being that we plan to adjust
18 the rates on August 1 to reflect the true allocation.
19 So all customer -- all rates will be kept whole
20 effective August 1st when, you know, the full cost
21 allocation study is known.

22 In addition to that, I think if you look
23 at the utility over the last couple of years, you can --
24 it's probably reasonable to assume that your costs
25 haven't -- the drivers of the costs haven't

1 significantly changed over what was previously approved.

2 So we're still essentially providing the
3 same types of services to the same types of customers.
4 And so from that perspective, I think it's reasonable to
5 assume that what we will find at the end of the day and
6 once the full cost allocation study is complete, is
7 something similar to what we've proposed today.

8 MR. BOB PETERS: You used the words in
9 your evidence, Ms. Derksen, of somewhat similar, but
10 does that -- is that saying the same to the Board that
11 there's a high degree of comfort that they can gather
12 that the ultimate allocation compared to the high level
13 allocation will be very close to each other?

14 MS. KELLY DERKSEN: This, as you term
15 it, back of the envelope calculation is not perfect and
16 we will find that we haven't prepared the cost
17 allocation study yet, so we don't know the exact
18 differences.

19 But I think, given the fact that we will
20 true it up later on and given the fact that I think the
21 total quantum of costs have increased, but the nature of
22 the services haven't significantly increased over the
23 last couple of years, I think that should give the Board
24 some comfort that what we've done is -- is reasonably
25 close.

1 MR. BOB PETERS: So, while your
2 temporary allocation may be wrong when compared to the
3 running of the actual cost of service model, it won't be
4 wrong by very much is what you're suspecting?

5 MS. KELLY DERKSEN: That's what I
6 suspect and we will true it up on August 1st, as well.

7 MR. BOB PETERS: And your true up on
8 August 1st will result in some classes presumably having
9 to pay more of the \$12 million than initially allocated
10 and some would pay less?

11 MS. KELLY DERKSEN: I guess there's
12 going to be a couple of components to it; one (1) would
13 be that, the other is that the way that we've currently
14 -- that we've proposed the -- the rates to the
15 incremental revenue deficiency to be recovered through
16 the distribution to customer charge or the basic monthly
17 charge.

18 There's going to have to be an adjustment
19 because recognizing that, for example, in -- maybe a
20 poor class to choose at this point, but the high volume
21 firm class is -- the incremental revenue deficiency has
22 been fully recovered based on our proposal through the
23 distribution demand rate.

24 Not of -- all of that belongs,
25 ultimately, in the distribution demand rate and it will

1 be spread among the other rates as well, so there will
2 have to be a true up to recognize the difference in the
3 rate structure as well.

4 MR. BOB PETERS: And that true up will -
5 - will -- that, then, will potentially involve the
6 refunding of money to some customers. Is that right?
7 Or crediting them?

8 MS. KELLY DERKSEN: Through the rates,
9 yes.

10 MR. BOB PETERS: Would that be done by
11 way of a rate rider?

12 MS. KELLY DERKSEN: That's my thought at
13 this point, yes.

14 MR. BOB PETERS: Ms. Derksen, just
15 reflecting on a previous answer, on Page 6 of 8 of the
16 Interim Ex Parte Application, you have spread the \$12
17 million over the customer classes based on the class'
18 proportionate share of the \$187 million of costs that
19 you've shown.

20 Why wouldn't you spread it over the
21 customer class' percentage share of the non-gas costs,
22 which you tell us in PUB/IXP is \$120 million?

23 MS. KELLY DERKSEN: It's not as simple
24 to be pulling out the transportation -- sorry, the gas
25 cost component of the 187 million. I recognize we have

1 the total quantum before and after, before -- with the
2 transportation-type costs embedded in -- in it is
3 approximately 187 million with just non-gas costs of
4 approximately 120 million.

5 But to strip out that \$50 million by
6 customer class is not such an easy task to do, so to --
7 in order to simplify it even further, I took including
8 the other gas costs incorporated in the revenue
9 requirement.

10 MR. BOB PETERS: You told us that the
11 running of the cost allocation model was a very lengthy
12 process, but how long or how much time would be needed
13 to -- to reallocate the \$12 million based on the non-gas
14 costs of approximately \$120 million?

15 MS. KELLY DERKSEN: I'm thinking it's
16 probably a day's worth of work for me.

17 MR. BOB PETERS: And your -- your
18 judgement at this time, Ms. Derksen, is that again, a
19 true up will be needed at some point in time, but you
20 feel that allocating it based on the customer class'
21 responsibility for the \$187 million of revenue
22 requirement will be approximately correct and not
23 significant adjustments will be needed?

24 MS. KELLY DERKSEN: Yes, that's what I'm
25 thinking, sir.

1 MR. BOB PETERS: All right. When we
2 talk about the rate increase that is going to happen, we
3 can't talk, Mr. Derksen or Mr. Rainkie, about a 2 1/2
4 percent rate increase, can we?

5 MS. KELLY DERKSEN: Certainly we can
6 talk about it from an overall perspective, but when you
7 get to the level of what I'm responsible for, no, every
8 class will have a different apportionment of that 2 1/2
9 percent overall revenue deficiency.

10 MR. BOB PETERS: When -- when we use the
11 number 2 1/2 percent in this Application, Ms. Derksen,
12 is it calculated on the same basis that you would
13 calculate other rate increases for the Corporation or
14 rate reductions for the Corporation that you would put
15 in public notices?

16

17 (BRIEF PAUSE)

18

19 MS. KELLY DERKSEN: I think that's true,
20 Mr. Peters.

21 MR. BOB PETERS: All right. What I'm
22 getting at, Ms. Derksen, is the request before the Board
23 today is for additional annual revenues of 2 1/2
24 percent quantified at \$12 million, correct?

25 MS. KELLY DERKSEN: Yes.

1 their bill is going up 10 percent, and we say that's a
2 10 percent rate increase, that's very confusing. I mean
3 most customers will say, you know, my bill's thirteen
4 hundred dollars (\$1,300). If it's going up a percent or
5 two (2) that -- that's the kind of information I think
6 that they can understand. They don't sit here with us
7 for twenty (20) days and go through all the details.

8 If we start doing rate over rate
9 comparisons or, you know, if we start taking a revenue
10 deficiency and dividing it by part of the revenue
11 requirement, I think we're really confusing customers.

12 I mean, they can look at their bill and
13 say if it's going up or down 2 percent it -- you know,
14 they can times it by their annual bill. But if we start
15 saying that a -- one (1) component of the rate's
16 changing by 5 percent, I think we've just confusing
17 customers.

18 I don't think we're providing them any
19 more information. I think we're doing the exact
20 opposite. We're doing them a disservice.

21 MR. BOB PETERS: Thank you for that, Mr.
22 Rainkie. Then with that comment, maybe you can turn
23 with me and the Board to Page 8 of 8 of the interim ex
24 parte Application and there's a table there of -- of
25 bill impacts, correct?

1 MS. KELLY DERKSEN: I have that, Mr.
2 Peters, yes.

3 MR. BOB PETERS: And, Ms. Derksen, based
4 on Mr. Rainkie's last answer, is this the impact of a
5 twelve (12) month bill without the proposed rate
6 increase, compared to a twelve (12) month bill with the
7 proposed rate increase?

8 MS. KELLY DERKSEN: Yes, sir.

9 MR. BOB PETERS: And what we see on this
10 table then, Ms. Derksen, is that while the overall
11 additional revenue is -- is characterized as a 2 1/2
12 percent increase, the various customer classes and
13 customers within those classes will be impacted at
14 different levels, correct?

15 MS. KELLY DERKSEN: Yes.

16 MR. BOB PETERS: And even though you now
17 have allocations to specific customer classes in the
18 percentages shown on Page 8 of 8, how you're going to
19 recover that amount from the various customer classes
20 will also be -- will be different, correct?

21

22 (BRIEF PAUSE)

23

24 MS. KELLY DERKSEN: I'm hoping that I've
25 understood your question correctly. And what we see on

1 Page 8 of 8 is a total bill at -- at current rates and a
2 total bill at proposed rates, how we planned to recover
3 that, say, twenty-nine dollar (\$29) amount would, in
4 that case -- in the case of the SGS class be solely
5 through the distribution, the variable distribution to
6 customer charge.

7 MR. BOB PETERS: Okay, and I think, Ms.
8 Derksen, it would maybe helpful to the Board to turn to
9 your answer to PUB/Centra IXP-6-B and the attached
10 table. That's PUB/Centra IXP-6-B and particularly the
11 table that you have generated.

12 Please let me know when you've managed to
13 locate that.

14

15 (BRIEF PAUSE)

16

17 MS. KELLY DERKSEN: Yes, sir, I do have
18 that.

19 MR. BOB PETERS: What you've just told
20 me prior to your pulling out this Information Request,
21 Ms. Derksen, is that for the residential customer, if
22 you were going to recover an additional twenty-nine
23 dollars (\$29) per year from them, you would do it
24 through the volumetric distribution charge, correct?

25 MS. KELLY DERKSEN: Yes, sir, on a

1 temporary basis, that's true.

2 MR. BOB PETERS: And so what you have
3 done, Ms. Derksen, is you have taken your presently
4 approved volumetric charge to consumers in the
5 residential class and you have increased it by an amount
6 that will recover an additional twenty-nine dollars
7 (\$29), let's say, per -- per typical residential
8 consumer?

9 MS. KELLY DERKSEN: I'm not sure that
10 that represents local residential, but yes, from a SGS
11 customer, true.

12 MR. BOB PETERS: All right. And so that
13 the volumetric distribution charge has gone up by -- is
14 one (1) cent, one point zero one (1.01) cents per cubic
15 metre?

16 MS. KELLY DERKSEN: Yes.

17 MR. BOB PETERS: And that on a rate over
18 rate comparison is a 15.7 percent increase, correct?

19 MS. KELLY DERKSEN: Yes, sir.

20 MR. BOB PETERS: And that's the very
21 point that I understand now that Mr. Rainkie was trying
22 to forewarn me about is, you don't want to compare rate
23 component over rate component because it may be, in the
24 big picture, misleading and that the Corporation's
25 position?

1 MS. KELLY DERKSEN: Yes, sir. And I
2 think that customers most want to see how much is my
3 bill increasing by. They don't really particularly care
4 what the individual component is changing by.

5 MR. BOB PETERS: All right. While we're
6 -- while we still have open page 8 of 8 of the Interim
7 Ex Parte Application as well as the answer to the IXP-6-
8 B and we go down to the high volume firm customer.

9 The high volume firm customer is going to
10 receive an increase under your proposal, under the
11 distribution demand component of the rates, correct?

12 MS. KELLY DERKSEN: Yes, sir.

13 MR. BOB PETERS: And that one component
14 of the rates will go up 36 percent even though for the
15 high volume firm customer, the increases are somewhere
16 between .7 percent on an annual basis and 1.1 percent on
17 an annual basis?

18 MS. KELLY DERKSEN: Yes, sir.

19 MR. BOB PETERS: Now I think I also
20 understood from a previous answer, Ms. Derksen, that you
21 are putting the proposed increase to high volume firm on
22 the distribution demand component of the rate but you do
23 know that come August 1st, you're going to have to make
24 adjustments for that because some of the rate increase,
25 if you are successful, will have to be factored into

1 other rate components, not just the distribution demand?

2 MS. KELLY DERKSEN: Yes, exactly.

3 MR. BOB PETERS: And at this point in
4 time you can't tell the Board how much and to which
5 other rate component and therefore you've put it into
6 the distribution demand for this customer class?

7 MS. KELLY DERKSEN: Yes, sir. I went
8 through to the approved 20903/04 revenue requirement
9 that was broken down by each customer class and for the
10 high volume firm class. For example, we are currently,
11 as -- as part of the 03/04 General Rate Application,
12 recovering \$2.5 million worth of downstream distribution
13 demand costs in comparison to two hundred and twenty-
14 five thousand (225,000) of variable distribu -- variable
15 distribution costs.

16 So it was on that basis that I made the
17 conclusion that much of the change will happen in the
18 distribution demand class -- sorry, in the distribution
19 demand rate for that particular class and other large
20 volume customer classes like it.

21 MR. BOB PETERS: Thank you, Ms. Derksen.
22 Let's turn to another large volume customer class being
23 the special contract class and on page 8 of 8 of the IXP
24 Application, it appears that the customer or customers
25 in this class are looking at an annual change of 8.9

1 percent. Have I got that correct?

2 MS. KELLY DERKSEN: Yes, sir.

3 MR. BOB PETERS: That seems
4 disproportionate to the increase that other customer
5 classes are going to receive, does it not?

6 MS. KELLY DERKSEN: It looks a bit odd
7 on this page but you have to consider that this
8 particular customer class has only one customer in it
9 and that particular customer is a transportation only
10 customer.

11 They get their primary and supplemental
12 supplies for example, from a third party, a broker
13 presumably. So this particular percentage is not on a
14 total bill like we would have for our sales customers.

15 MR. BOB PETERS: All right. Let me --
16 let me understand that, Ms. Derksen. For the
17 residential customer one of your Panel Members or
18 perhaps yourself agreed with me earlier that this 2 1/2
19 percent of additional annual revenue could also be
20 considered a 10 percent increase on the non-gas costs?
21 Correct?

22 MS. KELLY DERKSEN: Yes, sir.

23 MR. BOB PETERS: And you're telling me
24 that the special contract customer on -- on page 8 of 8
25 doesn't get their commodity from the utility, correct?

1 MS. KELLY DERKSEN: That's true.

2 MR. BOB PETERS: So if you were going to
3 state the residential customers increase on non-gas
4 costs on the same terms as you do the special contract
5 customers, then you would state the residential customer
6 would be seeing an approximate 10 percent increase on
7 their non-gas costs because -- and also the special
8 contract customers seeing an 8.9 percent increase on
9 their non-gas costs?

10 MS. KELLY DERKSEN: I -- I guess I'm a
11 little hung up with the -- the 10 percent increase for
12 the residential class because I don't think that
13 ultimately what we would find for -- for that particular
14 class, recognizing that 2 1/2 percent of the total non-
15 gas costs of \$120 million is, indeed, 10 percent, but
16 that may not be the residential class' allocated
17 portion.

18 MR. BOB PETERS: Okay, fair enough. I
19 hadn't thought that far ahead when I opened my mouth,
20 but what you're telling the Board, though, is the
21 special contract customer class has no amount included
22 in the calculation for the commodity and therefore its
23 increase appears larger than it would for other customer
24 classes where commodity is included?

25 MS. KELLY DERKSEN: Yes, I agree with

1 that.

2 MR. BOB PETERS: When we look at the
3 power station customer class, that class of customers is
4 also served by -- by a broker; is that correct?

5 MS. KELLY DERKSEN: Yes, sir, and this
6 4.9 percent that you see on page 8 of 8 does not include
7 any gas cost component as part of the calculation,
8 either.

9 MR. BOB PETERS: Just on the face of it,
10 it appears, you know, half of what the special contract
11 customer is getting and can you explain why your
12 allocation would -- would treat it that way?

13 MS. KELLY DERKSEN: It has to do -- we
14 talked about this at the '03/04 General Rate Application
15 because this was, indeed, some of the results that we
16 were seeing when we created the power station class, but
17 it essentially has to do with their demand take on our
18 system as well as volume usage.

19 And that impacts the peak in average
20 allocator, which ultimately assigns transmission-type
21 costs to this particular customer class. And because of
22 the -- the large -- the significant load factor
23 difference, you're seeing a fairly different allocated
24 amount to those two (2) customer classes for those
25 reasons.

1 MR. BOB PETERS: All right. Thank you.
2 That may be a subject for another -- another day. Ms.
3 Derksen, while you have your Interim Ex Parte
4 Application handy, can you turn to the very, very, very
5 last page, which I call Attachment 5.

6 It's not a numbered page, but it's the
7 very last page in what I -- what I filed in my binder
8 and if I've done it the same, I hope you have it as
9 well. It's a table of impact comparisons by customer
10 class from what's billed and what's proposed, Ms.
11 Derksen?

12 MS. KELLY DERKSEN: Yes, sir, I have
13 that.

14 MR. BOB PETERS: Now, this is a -- turn
15 my book sideways here -- this is the long answer, is it,
16 to what you showed the Board on page 8 of 8 of the
17 Application?

18 MS. KELLY DERKSEN: Yes, sir.

19 MR. BOB PETERS: Can you tell the Board
20 whether the -- excuse me -- the high and the low impact
21 on the customers in those various classes is shown on
22 this page?

23 MS. KELLY DERKSEN: Are you asking me
24 whether there are any customers that may fall outside of
25 the ranges on Attachment 5

1 MR. BOB PETERS: Better worded than I
2 did, yes.

3 MS. KELLY DERKSEN: It's potential that
4 there could be customers who fall outside these ranges,
5 yes.

6 MR. BOB PETERS: Is there a reason why,
7 in future, similar tables couldn't be prepared which at
8 least capture the high end of the range and the low end
9 of the range for each customer class? Is that possible?

10 MS. KELLY DERKSEN: I think that --
11 that, you know, in the future we can provide that
12 recognizing that customers' volumes and customers
13 migrate or switch between customer classes. That will
14 be, you know, ever evolving, but it could be prepared,
15 yes.

16 MR. BOB PETERS: Well, Ms. Derksen, my
17 point is that if you -- if you send out a public notice
18 and you take -- well, let's just pick high volume firm
19 customer class and indicate that on page 8 of 8 of your
20 filing at the front end you suggest the impact is going
21 to between .7 percent increase and 1.3 percent increase
22 and there may be some customer out there who's going to
23 get 2 1/2 -- 3 percent increase that -- that isn't
24 covered on your chart; that was my point.

25 MS. KELLY DERKSEN: I think that --

1 that's stretching it. I don't think that we would find
2 a customer being impacted to that degree. This range is
3 supposed to be indicative of the types of customers in
4 that class and to the extent there are changes in the
5 way customers use natural gas from year to year, it may
6 push those customers outside of that range, but I don't
7 think to that degree.

8 MR. BOB PETERS: All right. Thank you
9 for that answer. And you'll agree with me that ranges
10 shown on Attachment 5, which is the last page of the
11 interim ex parte filing, again those ranges are based on
12 the high level or temporary cost allocation methodology
13 that you used?

14 MS. KELLY DERKSEN: Yes, it is.

15 MR. BOB PETERS: And the two (2)
16 customer classes on Attachment 5 that do not have their
17 commodity included in the calculations would be in the
18 special contract and the power station?

19 MS. KELLY DERKSEN: Yes, sir.

20 MR. BOB PETERS: Ms. Derksen, can you
21 explain to the Board what the impact of your interim ex
22 parte Application will be on those customers who
23 purchase their gas through a broker and not through
24 Centra?

25 MS. KELLY DERKSEN: I think that you

1 will generally find the impacts to be in the range of
2 what you see for the special contract class and the
3 power station class.

4 I've prepared the information, but I do
5 not have it with me today.

6

7

(BRIEF PAUSE)

8

9 MR. BOB PETERS: Let me just understand
10 it. If a residential consumer buys their commodity from
11 a -- from a broker, they're only purchasing their
12 primary gas from a broker, correct?

13 MS. KELLY DERKSEN: Yes, sir. In that -
14 - like -- I'm not sure that I would have done a
15 calculation excluding the primary gas that a residential
16 customer, for example, may purchase from a broker.

17 I think it stands to reason that the cost
18 -- the total bill that you see on here for the
19 residential class is going to be in -- in the
20 neighbourhood of what it would be if they had purchased
21 gas from Centra.

22 So you're not going to see any much
23 significant difference. The -- the issue becomes with
24 our transportation only customers who do not purchase
25 any commodity or transportation upstream of our system

1 from Centra, and that's where you're going to see the
2 much larger impacts.

3 And the majority of those -- I think we
4 only have twelve (12) customers on our system that take
5 transportation only service and they would be embedded
6 in the high volume firm main line and interruptible
7 customer classes.

8 MR. DARREN RAINKIE: I would also add,
9 Mr. Peters, that I think the customers in those larger
10 volume classes, as we refer to them are much more
11 sophisticated about understanding that what's
12 represented here is there's -- their -- their Centra
13 bill and they can take this information and work it into
14 their total gas costs.

15 Of course, the -- the residential
16 customer, I think it's a far better perspective to tell
17 them what their total bill change is, as opposed to just
18 their -- their change minus commodity.

19 We only have one (1) chance in the Notice
20 to give some representative information and the Notice
21 is not that large, so I think for the SGS class this is
22 the best type of information to give them.

23 Like Ms. Derksen indicated, what's the
24 overall impact to me on my energy bill? The larger
25 volume customers are much more able to take this

1 information and understand it. It's their portion of
2 their energy bill that's transportation related and
3 whether they divide the change here by their total
4 energy bill or not is -- they're much more capable of, I
5 think, understanding and using that information.

6 MR. BOB PETERS: All right. Well thank
7 you both for those answers. But then I take from that
8 that the residential customers using a broker will,
9 under your view, see increases much the same as whether
10 they were system supplied or broker supplied. That's --
11 be relatively the same?

12 MS. KELLY DERKSEN: I think so for this
13 particular attachment, yes.

14 MR. BOB PETERS: And those consumers for
15 whom you provide only transportation service and, albeit
16 a limited number, their increase will be more in the
17 range of, say, 10 percent rather than -- than the 2 1/2
18 percent because they're only looking at those services
19 that Centra supplies?

20 MS. KELLY DERKSEN: Yes, sir. It could
21 be more than 10 percent, but I'm guessing that it's
22 probably around there.

23

24

(BRIEF PAUSE)

25

1 MR. BOB PETERS: I want to turn -- I'm
2 not going to talk to Mr. Warden because his RRSP advice
3 to me hasn't been very good and it is the season
4 forthcoming and -- and I want to do some crystal ball
5 gazing and I'm going to need your help on this, Panel
6 Members, and we will invite Mr. Warden if he has
7 comments to add them, but the -- but looking forward for
8 this next -- for the next twelve (12) months, there's
9 going to be four (4) more quarters of -- of rate
10 changes, at least as it replies to primary gas.

11 So, I want to start on the February 1st.
12 What I understand is that on February 1st, the Interim
13 Ex Parte Request, will bring about approximately 2 1/2
14 percent of additional revenue and that's what we've been
15 talking about all morning. Correct?

16 MR. VINCE WARDEN: Yes, that's correct,
17 Mr. Peters, and don't buy Crocus.

18 MR. BOB PETERS: Thank you. Maybe I
19 will seek out your advice. And, in terms of -- in
20 addition to the Interim Ex Parte, if the Interim Ex
21 Parte granted is 2 1/2 percent, there will be zero
22 additional amount added on February 1st or May 1st on
23 account of the GRA. Would that be correct?

24 MR. VINCE WARDEN: Correct.

25 MR. BOB PETERS: And, only if the

1 Interim Ex Parte Order is not as much as requested, will
2 it potentially impact the amount requested for starting
3 April 1st of '05 and that will be dealt with in the GRA
4 hearing?

5 MR. VINCE WARDEN: That's correct.

6 MR. BOB PETERS: Now, the quarterly gas
7 hearing -- Mr. Warden, you told the Board in your
8 comments through Ms. Murphy, that -- I think your word
9 was, "fortuitous", that it was fortuitous that, on
10 February 1st, there was going to be a primary gas
11 adjustment and it was going to be a negative adjustment.
12 Correct?

13 MR. VINCE WARDEN: Correct.

14 MR. BOB PETERS: You filed on January
15 6th of this year with the Board, a request to reduce the
16 primary gas by 5.2 percent for the typical residential
17 consumer?

18 MR. VINCE WARDEN: Yes.

19 MR. BOB PETERS: And, if you net the
20 decrease of 5.2 percent on account of primary gas with
21 the increase of 2 1/2 percent on account of non-gas cost
22 matters, that's where you came up with your approximate
23 2.7 percent rate reduction for the typical residential
24 consumer?

25 MR. VINCE WARDEN: Correct.

1 MR. BOB PETERS: And, that would be your
2 expectation as to what would happen starting February
3 1st?

4 MR. VINCE WARDEN: Yes.

5 MR. BOB PETERS: You were also asked in
6 an Information Request -- I believe the last one,
7 PUB/Centra/IXP-12 -- to -- to cast your eyes forward to
8 May 1st in terms of what might happen on the quarterly
9 primary gas rate adjustment and -- as well as the other
10 quarters for the year -- and, I took from your answer on
11 Page 2 of 2 that you expect that the annual increase on
12 account of primary gas would -- would be in the range of
13 probably 2 1/2 percent, as it shows right now. And, I
14 get that from the \$13 million of additional costs.

15 MR. DARREN RAINKIE: I -- I guess if you
16 want to do that calculation that way, that's -- that's
17 the right number, but recognize this was based on a
18 November 14th or November 15th price strip, so that
19 price strip is -- is changing every day.

20 That's the difficulty with making any
21 long-term crystal ball gazing decisions is that that
22 information is going to move quite quickly on you, so
23 I'm not sure that it's that reliable to -- it may be
24 interesting to look at three (3) or four (4) quarters
25 out, but I'm not sure it's that -- something the Board

1 would want to rely on in making a -- a rate ch --
2 decision at this point.

3 MR. BOB PETERS: Well, Mr. Rainkie,
4 based on your response to this, is it -- is it the
5 Corporation's advice to the Board that -- that rate will
6 probably be very flat and that it doesn't -- you're not
7 expecting a large increase, come May 1st?

8 MR. VINCE WARDEN: We -- we only know
9 what the forward strip is telling us right now and --
10 and those are -- based on that forward strip, the
11 indication is that there will not be significant changes
12 in the next two (2) gas quarters.

13 MR. BOB PETERS: And, the only price
14 adjustment on May 1st, that is envisioned, whether or
15 not there's any relief under this Interim Ex Parte,
16 would be for primary gas and no other reason?

17 MR. VINCE WARDEN: Correct.

18 MR. BOB PETERS: And, come August 1st,
19 the next quarter of the gas year, that would be a time
20 where the Corporation will want the impacts of its GRA
21 Application put into rates if they have not already been
22 done so on an interim ex parte basis?

23 MR. VINCE WARDEN: Yes. That would be
24 the likely next opportunity to incorporate that rate,
25 that's correct.

1 MR. BOB PETERS: And what we know from
2 Ms. Derksen's evidence is that there will be some, what
3 I'm going to call minor rate adjustments to the various
4 customer classes if you're application is approved today
5 because it will at that point and time have been run
6 through the entire cost allocation model?

7 MR. VINCE WARDEN: Correct.

8 MR. BOB PETERS: In addition to that
9 adjustment, there will also be the removal of existing
10 riders that are refunding \$16 million to gas consumers
11 in the rates that are in effect today?

12 MR. VINCE WARDEN: Correct.

13 MR. BOB PETERS: And while that \$16
14 million rate rider will come off of the rates, the rates
15 would also then have to take into account any new riders
16 that come out of the General Rate Application. Have I
17 got that right?

18 MR. VINCE WARDEN: Yes.

19 MR. BOB PETERS: And the removal of the
20 existing riders would suggest that the rates would go up
21 \$16 million on August the 1st on that account, but the
22 Corporation's suggestion at this point in time is it
23 won't go up as high as \$16 million because of other
24 deferral account balances?

25 MS. KELLY DERKSEN: Yes. Based on our

1 current forecast, we're anticipating the \$16 million
2 riders to fall off on August 1st and we will be putting
3 on new riders effective that date that are also a
4 negative amount, but not as much as the \$16 million that
5 is coming off.

6 MR. DARREN RAINKIE: I should also
7 indicate, Mr. Peters, that that information that you see
8 in that IR that says that the refund will decrease by
9 about \$10.7 million is based on actual deferral balances
10 to the end of October of 2004, and forecast amounts to
11 the end of March 2005; that's what you'll see.

12 I'm giving you a bit of a preview of what
13 you'll see in February when we do the utility cost to
14 gas filing. If you've looked or had the opportunity to
15 look at our GRA timetable proposal, late in April we
16 will update that information and give actual information
17 to the end of March 31st, 2005.

18 But there's nothing that tells us right
19 now that that is materially going to change but -- but
20 those are interim numbers at this point until we have
21 those deferrals finalized.

22 MR. BOB PETERS: Thank you, Mr. Rainkie.
23 If the \$16 million riders are coming off based on your
24 current view as you set out in this response, instead of
25 rates coming up \$16 million you see them only coming up

1 approximately 10.7? Is that how I interpret the answer?

2 MR. DARREN RAINKIE: That's correct.
3 Because we're right now calculating another refund in
4 the order of \$6 million. The actual -- the refund
5 riders that are on right now are about \$16.6 million and
6 the information we have right now is a refund of about
7 5.9 million so the -- the net is 10.7 million if I've
8 done the math correctly.

9 MR. BOB PETERS: All right. And earlier
10 on in my questioning, the Company indicated to the Board
11 that not only will non-gas cost items be reviewed at the
12 General Rate Application but so will the supplemental
13 and transportation costs come forward.

14 Do I take it that the \$3.8 million
15 referenced on page 2 of 2 is in answer to how much of an
16 increase is currently projected for those gas costs?

17 MR. DARREN RAINKIE: That's correct. I
18 -- I refer to them as non-primary gas costs but that's
19 also based on a November 15th price strip which will be
20 updated later in April as well, but that's our best
21 estimate at this point.

22 So if you take the ten point seven (10.7)
23 plus the three point eight (3.8) we're probably looking
24 at a -- a rate change in the order of \$14.5 million on
25 August 1st, in accordance with the current forecasts.

1 MR. BOB PETERS: And that's about a 3
2 percent overall rate increase then?

3 MR. DARREN RAINKIE: I'll take your math
4 on that proportionately to the \$12 million, I assume
5 that's how you've done that calculation.

6
7 (BRIEF PAUSE)

8
9 MR. BOB PETERS: I have a few areas I
10 would like to just tidy up before I conclude my
11 questioning, Mr. Chairman and Board Members. And -- and
12 while we've talked about the \$12 million of non-gas
13 costs, we haven't gotten into very many specifics in
14 this Interim Ex Parte Application.

15 Can you indicate to the Board if any of
16 those additional gas costs are attributed to gas Demand
17 Side Management?

18 MR. VINCE WARDEN: Your question is, is
19 any of the \$12 million attributable to DSM? Pretty
20 well. The -- we -- our -- our Demand Side Management
21 program on the gas side of the business is really, just
22 being launched or close to being launched and what we
23 have in our financial forecast is \$2.5 million in 05/06
24 and \$5 million per year, each year thereafter.

25 So, the carrying costs -- because we

1 amortize that over a fifteen (15) year period, the
2 carrying costs would only be about three hundred
3 thousand dollars (\$300,000) per year.

4 So, of the \$12 million, a maximum of
5 three hundred thousand (300,000) would be related to
6 Demand Side Management.

7 THE CHAIRPERSON: Do you expect to pay
8 any particular -- there was a reference in the Power
9 Smart plan of Hydro's to natural gas file, I think it
10 was October, November 2004, there's a reference to a
11 review of a low income, the effect of natural gas prices
12 on the low income.

13 Are you expecting to pay any attention to
14 low income or the rental property problems?

15 MR. VINCE WARDEN: I actually asked that
16 question of the people responsible for the program and
17 they told me it was too early to really specifically
18 identify whether there's anything in there for low
19 income.

20 The likely target areas would be -- or
21 the most likely places to -- to spend the -- our DSM
22 dollars on initially is on high efficiency furnaces and
23 insulation. That's where we get the best return.

24 To the extent that's going to affect or
25 benefit low income families, I don't think we have the

1 answer to that at this time.

2

3 CONTINUED BY MR. BOB PETERS:

4 MR. BOB PETERS: Mr. Warden, we've
5 marked as an exhibit to these proceedings Exhibit
6 Centra-2, the GRA filing and I noted in there that
7 there's a Tab on the Gas Demand Side Management; that
8 doesn't contain the entire Power Smart plan, though,
9 does it?

10 MR. VINCE WARDEN: No, it does not.

11 MR. BOB PETERS: And, is Gas Demand Side
12 Management, does it -- is it -- are there aspects of it
13 in addition to Power Smart or is the Gas DSM restricted
14 only to the Power Smart programs? Or are you able to
15 say at this time?

16

17 (BRIEF PAUSE)

18

19 MR. VINCE WARDEN: Well, there are
20 things like high efficiency furnaces, as I mentioned,
21 that would be totally unrelated to the electricity Power
22 Smart program.

23 So, yes, there are programs that will be
24 targeted specifically to natural gas if that's answering
25 your question, Mr. Peters.

1 MR. BOB PETERS: Probably, because I
2 don't understand the program, but I'll -- I'll start off
3 with that. But, I thought on a morning like today, if a
4 consumer wanted to get a higher efficiency furnace,
5 there would be an ability to do that under a Hydro
6 program, even though it's a gas furnace.

7 Am I incorrect in that?

8 MR. VINCE WARDEN: Yes. You are correct
9 in that. They would be able to do that, that's correct.

10 MR. BOB PETERS: Is that considered
11 Power Smart, or do you consider Power Smart only related
12 to the electrical side of the utility?

13 MR. VINCE WARDEN: It would all come
14 under the banner of Power Smart.

15 MR. BOB PETERS: In the filing for the
16 GRA, there is an indication that programs are evolving
17 and I think that's what you've told the Chairman, in his
18 questions, and that there would be more details to be
19 developed before the Spring hearing of the GRA.

20 Have I interpreted that correctly and I -
21 - I don't think I can show you a reference at this time,
22 but is the Board going to expect something more than
23 what's in the first volume of the filing on Gas DSM by
24 the time the GRA comes before it?

25 MR. VINCE WARDEN: That is the -- that

1 public notice for the upcoming General Rate Application,
2 would that also be correct?

3 MR. VINCE WARDEN: Yes.

4 MR. BOB PETERS: And that public notice
5 for the General Rate Application may include publication
6 in the newspaper this upcoming weekend?

7 MR. VINCE WARDEN: Subject to Board
8 approval, yes.

9 MR. BOB PETERS: All right. And will
10 that notice for the GRA that may be filed this weekend,
11 subject to Board approval, contain reference to the
12 Board having considered an Interim Ex Parte Application
13 by the Company?

14 MR. VINCE WARDEN: Yes.

15 MR. BOB PETERS: And if the public
16 notice will disclose the Interim Ex Parte Application,
17 by what date does the Corporation respectfully request
18 advice of this Board in terms of what is its decision
19 will be with respect to the Interim Ex Parte
20 Application?

21 MR. VINCE WARDEN: Respectively, we're
22 asking for that to be -- information to be provided to
23 us or approval to be provided to us by Friday the 21st
24 of January.

25 MR. BOB PETERS: Okay. Mr. Chairman,

1 I'd like to thank Ms. Derksen, Mr. Rainkie, Mr. Warden,
2 together with their Counsel, plural, and assistance for
3 answering my questions. Those conclude the questions I
4 have for them at this time.

5 THE CHAIRPERSON: Thank you, Mr. Peters.
6 Ms. Murphy, do you have any closing
7 submissions before the -- I should say, now Mr. Peters
8 has completed his questioning, do you have any re-
9 examinations?

10 MS. MARLA MURPHY: I have no re-
11 examination.

12 THE CHAIRPERSON: Thank you. Do you
13 have any closing submissions before the Board adjourns?

14 MS. MARLA MURPHY: I do and and I will
15 be very brief; I've noted the hour.

16 Just by way of summary, Centra would like
17 to thank the Board for the opportunity to be heard on
18 this matter. The filing of an Interim Ex Part
19 Application was not undertaken lightly by Centra. It's
20 driven by the need for immediate rate relief in order to
21 mitigate the losses in Centra and this is in the
22 interest of Centra, Hydro and, ultimately, of the
23 ratepayers whom we serve.

24 Centra determined that it was in the best
25 interest of the Corporation to seek rate relief earlier

1 than the timing of a full hearing in respect of its
2 general Application would permit. As the Board's aware,
3 Centra filed its General Rate Application with the Board
4 on January 10th, 2005 which seeks to confirm the interim
5 relief requested for 2005/'06, allowing Centra to
6 recover a 2 1/2 percent increase in its overall revenue.

7 The granting of interim rate relief
8 effective February 1st, 2005 will permit Centra to
9 mitigate its losses for 2004/'05 and to recover a small
10 level of income for 2005/'06 in the order of \$2 million.

11 As you've heard the morning, Centra's had
12 only one (1) increase in non-gas costs since its
13 acquisition by Hydro in 1999, which increase was limited
14 to 0.4 percent. Over that same time period, CPI has
15 increased 12.4 percent.

16 Centra also views this Application to be
17 in the interest of ratepayers in that it avoids a need
18 for retroactive rate adjustments in the future or larger
19 adjustments to rates on a prospective basis, coming in
20 August 2005 or later.

21 It's also an appropriate time to make
22 such an adjustment when considering rate impacts as a
23 whole. The adjustment to primary gas rates for February
24 1st will result in a rate decrease to system supply
25 customers sufficient to offset the impacts of this

1 Application.

2 In addition, as Centra has noted in the
3 materials filed to -- and in evidence today, it's
4 anticipated that the removal of rate reduction riders
5 and the current forecast of August 1st, 2005 rates is
6 such that rates will be increasing at that time. The
7 earlier implementation of this rate request serves to
8 reduce Centra's losses and can be implemented in a
9 fashion which will have smaller rate impact on
10 customers' bills, both now and in August of 2005.

11 I'd also like to briefly address the
12 issue of timing of the Orders, which Mr. Peters has just
13 alluded to. As you are aware, Centra has also filed and
14 the Board is currently considering a rate for -- a new
15 rate for its February 1st primary gas. It's Centra's
16 intention to communicate to customers the combined
17 impact of the primary gas rate change and the rate
18 change flowing out of this Interim Application, if
19 approved.

20 It's also Centra's hope that
21 communication in respect of those Applications can be
22 made to the public prior to the publication of the
23 recently approved notice in respect of the General Rate
24 Application. That notice will appear in the papers
25 commencing Saturday, January 22nd, and it is Centra's

1 preference to have the opportunity to communicate the
2 primary gas and interim rate changes prior to those
3 references to those Applications appearing in the
4 context of that GRA notice.

5 We, therefore, have respectfully
6 requested that the Board issue its order in respect of
7 the current Application and the February 1st Primary Gas
8 Application before Friday, January 21st.

9 Subject to any questions which you may
10 have, that concludes my comments. Thank you.

11 THE CHAIRPERSON: On behalf of my
12 Colleagues, I want to thank Centra, Ms. Murphy and
13 Centra's witnesses for your attendance today.

14 The Board will now adjourn and further
15 consider the Application and we'll issue our Order as
16 soon as it is ready. We are aware of the deadlines,
17 from your perspective, so thank you again. We stand
18 adjourned.

19
20 --- Upon adjourning at 11:50 a.m.

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9 Carol Wilkinson, Ms.
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