

MANITOBA PUBLIC UTILITIES BOARD

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Re:                   CENTRA GAS MANITOBA INC.  
                          2005/06 TO 2006/07  
                          GENERAL RATE APPLICATION

Before Board Panel:  
                  Graham Lane           - Board Chairman  
                  Monica Girouard   - Board Member  
                  Mario Santos       - Board Member

HELD AT:  
                  Public Utilities Board  
                  400, 330 Portage Avenue  
                  Winnipeg, Manitoba  
                  June 15th, 2005  
                  Volume VIII  
                  Pages 1692 to 1942

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1 --- Upon commencing at 9:13 a.m.

2

3 THE CHAIRPERSON: Okay. Good morning  
4 everyone.

5

6 Vince Warden, Resumed  
7 Robin Wiens, Resumed  
8 Lloyd Kuczek, Resumed  
9 Kelly Derksen, Resumed  
10 Darren Rainkie, Resumed

11

12 THE CHAIRPERSON: Ms. Murphy, do you have  
13 anything for us to start off?

14 MS. MARLA MURPHY: I do have just a  
15 couple of things. Thank you, Mr. Chairman.

16 Good morning. I wanted to start by  
17 introducing the new face in the back row, which is Mr.  
18 Ted Cotton who is the Business Systems Manager and the  
19 gentleman that Mr. Warden referred to yesterday, would be  
20 here to help us with some of our questions.

21 THE CHAIRPERSON: Welcome.

22 MS. MARLA MURPHY: We've had a bit of a  
23 discussion with Mr. Cotton this morning already and on  
24 that basis, Mr. Warden can answer some of the issues that  
25 we indicated yesterday that we'd check and Mr. Rainkie

1 would also like to respond to the questions related to  
2 Order 13/04.

3                   So, perhaps Mr. Warden can begin with  
4 addressing the one with the bill.

5                   MR. VINCE WARDEN:   Yes, good morning  
6 everyone.  You may have detected we were less than  
7 confident in some of our answers last evening.  It turns  
8 out we were -- there was nothing wrong there, but perhaps  
9 we can be a little more definitive with some of the facts  
10 that we provided.

11                   We currently do have approximately ninety  
12 thousand (90,000) bi-monthly electricity accounts.  So,  
13 there are no -- as we indicated there are no gas accounts  
14 on -- on it that are being served by monthly bills.

15                   The one (1) bill initiative because we're  
16 combining both gas and electric, the one (1) bill  
17 initiative will result in a reduction of approximately  
18 forty-five thousand (45,000) bi-monthly electricity  
19 bills.  So the bi-monthly bills will be cut in half  
20 approximately.

21                   The equal payment plan does not apply to  
22 bi-monthly bills as we stated yesterday and I just wanted  
23 to confirm that.  The customer could be on the equal  
24 payment plan for gas and not electricity or vice versa or  
25 could be on the equal payment plan for both.

1                   So, the reduction in the bi-monthly bills  
2 should actually lend itself to a greater number of equal  
3 payment plan customers.

4                   I think that clarifies the record for last  
5 evening and we're prepared to answer any more questions  
6 in that area. Thank you.

7                   THE CHAIRPERSON: Thank you Mr. Warden.  
8                   Mr. Rainkie ...?

9                   MR. DARREN RAINKIE: Good morning, Mr.  
10 Chair, ladies and gentlemen.

11                   Mr. Peters, I think one (1) of the  
12 questions we talked about yesterday, is: Did the bill  
13 messages that we provided in Tab 13 have the Application  
14 changed from what was approved in Order 13/04?

15                   And consistent with what I said when we  
16 put the two (2) sources of energy together there are some  
17 minor changes in that wording. That's my advice. I  
18 haven't gone back and compared them line by line myself,  
19 but I've been advised that.

20                   And they don't change the intent of those  
21 messages at all. But, given that we're not going to use  
22 the new combined bill messages until -- until November 1,  
23 we do have time if the Board desires to do a line by line  
24 comparison and change order -- change the attachment to  
25 Order 13/04 to be consistent with the material that's

1 provided in Tab 13.

2                   So, if that's the Board's wishes, we would  
3 -- if that's the direction we got in the Order coming out  
4 of this proceeding, we would have time to tidy that up.

5                   The second question you asked me, Mr.  
6 Peters, or the second question that I wanted to check,  
7 was did we plan to promote the fact that customer can  
8 specify where partial account payments would be placed.

9                   And once again our intuition was correct,  
10 we did not intend to promote that. The routine that  
11 we're specifying, in terms of allocation of partial  
12 account payments where the customer hasn't specified  
13 where they want that money to be allocated is an  
14 automated process.

15                   And obviously if the customer specifies  
16 their wishes it's going to be a manual process and more  
17 timely and costly.

18                   So, as -- as a result we'll certainly  
19 advise customers of that option if they ask, but we had  
20 not intended to -- to promote that option.

21                   MS. MARLA MURPHY: One (1) further  
22 matter, Mr. Chairman, we have available the response to  
23 Undertaking Number 14, which was taken at transcript page  
24 947, relating to the remote telemetry units, which I will  
25 provide to Mr. Singh promptly.

1 THE CHAIRPERSON: Thank you.

2 MS. MARLA MURPHY: The preparation of  
3 that IR resulted -- or that undertaking resulted in the  
4 need to amend two (2) of the IR's that were filed in the  
5 material. So we have, in addition, revised responses to  
6 PUB/CENTRA-13, and PUB/CENTRA-108, which we propose to  
7 file.

8 It would be my suggestion that we mark the  
9 response to Undertaking Number 14, as Centra Exhibit  
10 Number 27, and that the two (2) IR's that are filed  
11 simply replace the ones that were in the material  
12 already, they wouldn't need a -- a separate number if  
13 that's acceptable to you.

14 THE CHAIRPERSON: That's acceptable,  
15 thank you.

16 MS. MARLA MURPHY: Thank you.

17  
18 --- EXHIBIT NO. CENTRA-27: Response to Undertaking  
19 Number 14 which was taken at  
20 transcript page 947, relating  
21 to the remote telemetry  
22 units.

23  
24 MS. MARLA MURPHY: I should not that in -  
25 - Mr. Aziz had raised with me a concern. He responded

1 verbally to Undertaking Number 11, which was related to  
2 the number of inspectors, and Undertaking Number 13.

3           That his response was correct in making  
4 that, but it created a bit of a confusion in the  
5 transcript I believe. He had indicated earlier that  
6 there was -- could be one (1) inspector monitoring a  
7 number of crews, in fact, it's the reverse.

8           There may be more than one (1) inspector  
9 monitoring a single crew. And Mr. Aziz can come back and  
10 speak to that if it raises any questions, but I just  
11 wanted to clarify that if we could.

12           THE CHAIRPERSON: I think that's fine.

13           Mr. Peters...?

14           MR. BOB PETERS: Thank you and good  
15 morning. By way of the timetable, a housekeeping matter  
16 I would like to just indicate to all parties who I  
17 believe are present, all Intervenors and other parties,  
18 that after today the Board will sit Monday, June 20th,  
19 and on Monday, June 20th, we're scheduled to have the  
20 witness from RCM/TREE, Mr. Stephen Weiss. That is a day,  
21 on Monday, June 20th, which I don't believe I have  
22 mentioned that the Board will be sitting until no later  
23 than 1:30 on that date.

24           I can confirm that on Monday, June 27th,  
25 the day for closing submissions, the Board's schedule has

1 been adjusted and the Board is available to commence at  
2 nine o'clock.

3           Just jumping backwards here to Monday,  
4 June 20th, I also note that the Board is available to  
5 start at 8:30 in the morning to make sure we get our day  
6 finished, and so I bring that to the parties' attention,  
7 that Monday, June 20th we'll start at 8:30, conclude no  
8 later than 1:30. And then on Monday June 27th the Board  
9 is available to hear closing submissions commencing at  
10 9:00 a.m.

11           If anybody has any questions on the time  
12 table please -- please speak to me at any of the breaks.  
13           Thank you, Mr. Chairman.

14  
15 CONTINUED CROSS-EXAMINATION BY MR. BOB PETERS:

16           MR. BOB PETERS: Mr. Kuczek, am I correct  
17 that at the last General Rate Application there was no  
18 natural gas DSM plan by Centra Gas?

19           MR. LLOYD KUCZEK: No formal plan, no.

20           MR. BOB PETERS: And when you say no  
21 formal plan, the -- the Corporation had a PowerSmart plan  
22 on the electricity side, did they not?

23           MR. LLOYD KUCZEK: Correct.

24           MR. BOB PETERS: And some of those  
25 programs would impact on the gas customer?

1 MR. LLOYD KUCZEK: That's correct.

2 MR. BOB PETERS: And in fact, you have  
3 filed in Volume III, the main filing, Volume III, the DSM  
4 plan on the gas side; is that correct?

5 MR. LLOYD KUCZEK: Correct.

6 MR. BOB PETERS: And on page 2 of that --  
7 of that filing, not the Executive Summary, but on page 2  
8 you have a chart where you show the Board that there have  
9 been natural gas savings prior to the filing of this  
10 plan, correct?

11 MR. LLOYD KUCZEK: Correct.

12 MR. BOB PETERS: And is it correct that  
13 those -- that those natural gas savings that you show on  
14 the chart on page 2, are predominantly a result of the  
15 programs that were used and implemented on the  
16 electricity side?

17 MR. LLOYD KUCZEK: Actually they're  
18 mainly due to customer service programs, which are part  
19 of our electric DSM program. So, there -- but the  
20 customer service programs are for electric and gas  
21 customers.

22 MR. BOB PETERS: To expand on that to  
23 help you out a bit, when we say customer service  
24 programs, generally these are programs that one could  
25 argue that you might have anyways, if you didn't have a

1 formal DSM program. So, if you had a DSM program you  
2 would probably incorporate that as part of your portfolio  
3 and that's what we do on the electric side.

4           On the gas side, we didn't have a formal  
5 program but we would have those programs as well,  
6 anyways.

7           And to give you an example, the  
8 residential loan program is one of those programs.

9           MR. BOB PETERS: All right. On the  
10 electricity side, you had a loan program where you would  
11 advance monies to home owners for retrofit or buying new  
12 energy efficient appliances, and the money you would  
13 advance would be at attractive interest rates?

14           MR. LLOYD KUCZEK: Correct.

15           MR. BOB PETERS: And as one of the spin-  
16 offs from that, is that when people retrofitted their  
17 home on -- using the electricity PowerSmart program, it  
18 also had a benefit to those home owners on the gas side?

19           MR. LLOYD KUCZEK: That's correct. But  
20 some of the programs were targeted towards natural gas  
21 customers as well. Or -- some are specifically electric  
22 programs, but a number of those customer service  
23 programs, such as the residential program, were maybe  
24 originally designed for the electric side, but eventually  
25 they were modified to include measures to help natural

1 customers as well.

2 MR. BOB PETERS: All right. And then can  
3 you tell the Board what's transpired since you -- since  
4 you were last before the Board and how we got to the  
5 point where we now have a gas DSM plan?

6 MR. LLOYD KUCZEK: When you say "before  
7 the Board last time", is that on the electric side?

8 MR. BOB PETERS: I meant on the gas GRA  
9 side, but I -- but I remember your being before the Board  
10 on the electricity side as well.

11 MR. LLOYD KUCZEK: Since '03 or we can go  
12 back to '09 since we bought Centra Gas actually, we  
13 started integrating natural gas, I guess, energy  
14 conservation objectives into our customer programs.

15 Those customer services programs are  
16 generic in nature and they're broad in nature, I guess,  
17 is a better way of putting it.

18 But they include like a loan program, the  
19 workshops, information. We provide customers a  
20 geothermal program and so we did that and in the summer  
21 of 2004, towards the end of the summer -- end of the  
22 summer of '04 we took the next step towards designing  
23 programs with incentive-based -- where these are  
24 incentive-based programs.

25 To do that, what we took was an internal

1 comprehensive market potential study to identify what the  
2 market opportunities were in the natural gas and what  
3 that study -- that identified the technologies, it  
4 identified where those opportunities were.

5           And then the next step after that was to  
6 design high level program concepts and with that, we  
7 developed the PowerSmart natural gas program that we  
8 submitted in May.

9           MR. BOB PETERS:    The plan that you have  
10 before the Board now is -- you referred to it in your  
11 oral testimony yesterday, as a road map for the future.  
12 I think you also refer to that in the written materials,  
13 but would it be fair to say that this road map is still a  
14 work in progress.

15           MR. LLOYD KUCZEK:   Correct.  We don't  
16 know where the road's going to be exactly as we move  
17 forward into the future, but we know which direction, at  
18 least, we moving in.

19           MR. BOB PETERS:    And what you filed with  
20 the Board here in Tab -- in Binder Volume III, replaces  
21 the 2004 PowerSmart plan?

22           MR. LLOYD KUCZEK:   It replaces the  
23 natural gas component of -- of the 2004 PowerSmart plan.

24           MR. BOB PETERS:    And in terms of the  
25 implementation plan, would it be correct to say there are

1 detailed programs or -- still needed to be defined?

2 MR. LLOYD KUCZEK: Correct.

3 MR. BOB PETERS: And what's the process  
4 for dealings with those?

5 MR. LLOYD KUCZEK: The process generally  
6 involves -- looks -- look at doing more research than  
7 what we've done and -- with the market potential study in  
8 -- in terms of what the potential opportunities are, what  
9 the barriers are.

10 And then coming up with the program design  
11 that we think is optimal in terms of achieving the  
12 targets that we would have identified in the plan.

13 MR. BOB PETERS: So, at this point in  
14 time, while you've identified some targets, how you're  
15 going to get there isn't yet as clear?

16 MR. LLOYD KUCZEK: For some it's more  
17 clear and for others they still need to be developed,  
18 yes.

19 MR. BOB PETERS: All right. And one of  
20 the other things that you still are seeking development  
21 are partnerships, would that be correct?

22 MR. LLOYD KUCZEK: Correct.

23 MR. BOB PETERS: Partnerships with  
24 government and industry?

25 MR. LLOYD KUCZEK: Government, industry,

1 trade allies, manufacturers. It depends on the  
2 particular initiative that we'll be pursuing.

3 MR. BOB PETERS: Specifically dealing  
4 with targeted areas of the -- of DSM, you haven't got a  
5 specific low income DSM plan yet, have you?

6 MR. LLOYD KUCZEK: We have a number of  
7 initiatives that I think we've submitted that we're  
8 already undertaking -- or to help low income customers,  
9 but we plan on doing more. And we're researching right  
10 now what other utilities are doing. And if it make sense  
11 for our customers, we'll probably do the same.

12 MR. BOB PETERS: When you say, some  
13 initiatives already in place, I recall mentioned by the  
14 Panel or members of a prior Panel at least, the  
15 neighbours helping neighbours program; is that what  
16 you're referring to?

17 MR. LLOYD KUCZEK: That's one (1) of the  
18 programs.

19 MR. BOB PETERS: What would be another  
20 one?

21 MR. LLOYD KUCZEK: Well, a number of  
22 people talk about their programs and they generally refer  
23 to programs that cost money. We have other programs that  
24 do costs some money and some programs that don't cost any  
25 money.

1                   One (1) of the programs that we have that  
2 I think is very successful is our residential loan  
3 program. Generally, when you have a loan program, that's  
4 not for the rich, that's for the people that are in the  
5 low income area and we've lent out sixty-five thousand  
6 (65,000) -- 65 million since 2001.

7                   And of that, initially we measured it and  
8 I believe it was 85 percent of the dollars that were  
9 going -- we're going towards natural gas conservation  
10 measures. Recently, in the last year, we checked it and  
11 it's much higher than that, it's 98 percent.

12                   So -- and we also looked at the customers  
13 that were participating in the programs and it's  
14 sufficiently larger on the natural gas side.

15                   MR. BOB PETERS: Any other programs come  
16 to mind in terms of low income assistance?

17                   MR. LLOYD KUCZEK: Well, we also have the  
18 WISE program. We don't characterize it as a low income  
19 program. It's not necessarily targeted towards the low  
20 income, it's targeted towards the seniors now that it can  
21 be the seniors with low incomes as well.

22                   We also support a few other initiatives in  
23 Winnipeg here, in the Winnipeg core area infill housing.  
24 They construct a number of homes each year and we make  
25 sure those homes are built to R-2000 standards.

1                   We provide grants and pay for the R-2000  
2 construction contractor that has to be on site to ensure  
3 that they're built to R-2000 standards. We also support  
4 the Habitat for Humanity in the same regard. They build  
5 a number of homes and we do the same thing there.

6                   We sponsored a research project by -- on  
7 the West Broadway Project that targeted towards looking  
8 at the barriers of low income residents in that area and  
9 why they're not participating in the PowerSmart programs.

10                   That's all that come to my mind.

11                   MR. BOB PETERS: I took from your  
12 previous answers that you're still trying to develop or  
13 find more programs that may be applicable; would that be  
14 fair?

15                   MR. LLOYD KUCZEK: Yeah, we're always  
16 looking for ways that we can help our customers and you  
17 know the low income customer, is just one of those  
18 customer segments. And we are interested in doing more  
19 in that area and we've -- I guess that's reflected in the  
20 fact that we've actually are in the process of hiring  
21 somebody right now to do that.

22                   MR. BOB PETERS: And the person you hire  
23 will focus on a program specifically designed to assist  
24 low income customers?

25                   MR. LLOYD KUCZEK: Low income and First

1 Nation actually.

2 MR. BOB PETERS: And when you say, you're  
3 always looking for other programs, does that include  
4 reviewing what's happening in other jurisdictions?

5 MR. LLOYD KUCZEK: Correct.

6 MR. BOB PETERS: Mr. Kuczek, when I turn  
7 to the last page of your report, page 28, I see the  
8 natural gas utility budget laid out in front of the Board  
9 from 2005/06 through to 2017/18, you're familiar with  
10 that?

11 MR. LLOYD KUCZEK: Correct.

12 MR. BOB PETERS: Would it be a correct  
13 reading by the Board that in the first test year of this  
14 application, the 2005/06, the Utility plans to spend  
15 approximately \$4.8 millions on the natural gas portion of  
16 the DSM plan?

17 MR. LLOYD KUCZEK: Yes.

18 MR. BOB PETERS: And I believe we've  
19 heard that the intention is to amortize those expenses  
20 over fifteen (15) years?

21 MR. LLOYD KUCZEK: Correct.

22 MR. BOB PETERS: And that's still the  
23 plan?

24 MR. LLOYD KUCZEK: Yes.

25 MR. BOB PETERS: And Ms. Derksen, you

1 might have to help us out here. I take it Mr. Kuczek  
2 gave you the \$4.8 million number for his expenditures in  
3 2005/05?

4 MS. KELLY DERKSEN: It first goes through  
5 the revenue requirement people. It ultimately ends up  
6 with me who is the response -- person responsible for  
7 rates, yes.

8 MR. BOB PETERS: All right. So, it first  
9 passed Mr. Rainkie and then ended up to you. But, when  
10 it went past Mr. Rainkie, I would have thought he would  
11 have taken the \$4.8 million, multiplied it by 7 percent,  
12 and sent whatever number that flowed down towards you?

13 MR. DARREN RAINKIE: Mr. Peters, I'll  
14 have to back you up one (1) step, because when we prepare  
15 -- the Application was prepared from the integrated  
16 financial forecast, and at that point we didn't have the  
17 4.8 million number; that's the number that's fresh. The  
18 -- the new plan from Mr. Kuczek.

19 At that point I think we had 2.5 million  
20 being expended in -- in '05/'06 and 5 million being  
21 expended in '06 and '07. And in the revenue requirement  
22 section of the Application, what we've indicated is we're  
23 going to start amortizing the -- the expenditures that  
24 were in the IFF, back last November or October, we're  
25 going to start to amortize those over fifteen (15) years

1 in the second test year, 2006/07.

2           So if you take the 2.5 million that was  
3 planned in '05/'06 and divide it by fifteen (15), you get  
4 the hundred and sixty-seven thousand dollars (\$167,000)  
5 of amortization that's in the 2006/07 test year.

6           So -- so, this is an example of one (1) of  
7 the puts and takes that I often explain when we come  
8 here, because as I explained in other initiatives, you  
9 know, we make a forecast in a certain period of time, we  
10 embed that in our Application, and of course people  
11 continue to work on those projects outside of this  
12 process, and -- and numbers get refreshed everyday.

13           And you know, so we identify some puts and  
14 takes along the way. And this is one (1) where we --  
15 we've under forecast in the IFF what we actually plan to  
16 spend, and I'm sure we'll be reminded in the final  
17 argument where we are overextending.

18           So, there's -- there's some -- there's  
19 some offsets there, Mr. Peters.

20           MR. BOB PETERS: All right. Mr. Rainkie,  
21 you've put into the revenue requirement for 2005/06, zero  
22 dollars on account of DSM; would that be correct?

23           MR. DARREN RAINKIE: That's correct.  
24 There's zero amortization in the first test year.  
25 There's a hundred and sixty-seven thousand dollars

1 (\$167,000) of amortization in the second test year.

2 MR. BOB PETERS: And the actual amount  
3 that according to the budget, now that Mr. Kuczek has  
4 refreshed, would be twice what you put into the budget  
5 for the second test year, '06/'07?

6 MR. DARREN RAINKIE: Sorry, Mr. Peters,  
7 can you -- can you give me that again?

8 MR. BOB PETERS: I'm suggesting that in  
9 the 2006/07 test year, you've included in the revenue  
10 requirement a hundred and sixty-six thousand six hundred  
11 and sixty-seven dollars (\$166,667) on account of DSM?

12 MR. DARREN RAINKIE: That's right.  
13 That's the amortization from the first year that was  
14 planned in the IFF.

15 MR. BOB PETERS: Understood. But, the  
16 actual number will be more like twice that, three hundred  
17 and twenty-six thousand dollars (\$326,000), based on Mr.  
18 Kuczek's plan to expend \$4.8 million?

19 MR. DARREN RAINKIE: I'm with -- I'm with  
20 you now, yes, that -- those roughly sound like the right  
21 numbers.

22 MR. BOB PETERS: All right. And, Ms.  
23 Derksen, we now see that Mr. Rainkie didn't give you the  
24 current numbers, because they weren't yet available. So,  
25 you used the hundred and sixty-six thousand six hundred

1 and sixty-seven thousand dollar (\$166,667) number in the  
2 -- in the allocation process, correct?

3 MS. KELLY DERKSEN: For 2006/07 I have  
4 built a hundred and sixty-seven thousand dollars  
5 (\$167,000) worth of DSM costs into rates, yes.

6 MR. BOB PETERS: And I think as you  
7 mentioned yesterday on Schedule 10.2.5, page 3 of 6, and  
8 I guess carrying through to page 4 of 6, you've -- you  
9 proposed an allocation there?

10 MS. KELLY DERKSEN: Yes, I -- in Schedule  
11 10.2.5, which was filed with the Board, the updated  
12 version filed with the Board on April the 29th, proposes  
13 an allocation. It's really a mis-allocation if you will.

14 I had intended that 50 percent of the  
15 hundred and sixty-seven thousand dollars (\$167,000) went  
16 to the residential portion of the SGS class. And 50  
17 percent split between the commercial SGS and the LGS  
18 customer class.

19 As you can see on schedule 10.2.5, it  
20 doesn't appear that way at this point, but we intend on  
21 updating that with final rates approved for August 1st of  
22 2005.

23 MR. BOB PETERS: When you say you intend  
24 to update it, you intend to update the hundred and sixty-  
25 seven thousand dollar (\$167,000) allocation, you're not

1 intending to increase that amount?

2 MS. KELLY DERKSEN: I'm not proposing to  
3 change the number. I'm just proposing to correct the  
4 allocation to reflect what I stated.

5 MR. BOB PETERS: Mr. Kuczek, this plan  
6 would be your first experience with a natural gas DSM  
7 plan; would that be correct?

8 MR. LLOYD KUCZEK: Yes.

9 MR. BOB PETERS: And the primary benefits  
10 for natural gas DSM would be to avoid the costs of the  
11 commodity that consumers would have to otherwise  
12 purchase. Would you agree with that?

13 MR. LLOYD KUCZEK: Yes.

14 MR. BOB PETERS: And if that's the  
15 primary benefit, is there any benefit in that to the gas  
16 company itself?

17 MR. LLOYD KUCZEK: When we look at DSM,  
18 natural gas DSM, we look at it from a combined  
19 customer/utility perspective and the benefits that the  
20 customer realizes is primarily through reduced gas  
21 purchases, and that's just a pass-through for the  
22 utilities, so there's no benefit to the utility from that  
23 regard.

24 To the extent that we could claim the  
25 value of the CO2 emissions that are going to result from

1 those natural gas energy efficient measures, there is  
2 some value that the utility could capture there.

3 MR. BOB PETERS: One (1) of the other  
4 benefits from the gas DSM is that you may be able to  
5 avoid expenses for transportation, storage and some  
6 distribution.

7 MR. LLOYD KUCZEK: Yes, when I said the  
8 purchase of natural gas, I was including the combined  
9 costs of the primary gas and getting the gas to Manitoba.

10 MR. BOB PETERS: And is there an avoided  
11 cost potential for not having to put in transmission and  
12 transmission plant?

13 MR. LLOYD KUCZEK: In Manitoba?

14 MR. BOB PETERS: Yes.

15 MR. LLOYD KUCZEK: At this point there  
16 isn't, but we're talking to our -- the people that -- in  
17 -- that do our planning for the infrastructure on the gas  
18 side, and if we can possibly capture some avoided costs  
19 there, we will do that.

20 At this point, we can't or we haven't  
21 identified any.

22 MR. BOB PETERS: And even if you did,  
23 those benefits would then flow to the consumer as opposed  
24 to the utility?

25 MR. LLOYD KUCZEK: That's correct.

1 MR. BOB PETERS: And so the only benefit  
2 that you've identified for the Board in terms of the gas  
3 company itself, is reduced CO2 omission potential?

4 MR. LLOYD KUCZEK: Correct.

5 MR. BOB PETERS: And can you explain to  
6 the Board what is the value of capturing the reductions  
7 in CO2?

8 MR. LLOYD KUCZEK: The values on a  
9 levelized cost basis is one point eight (1.8) cents per  
10 cubic metre.

11 MR. BOB PETERS: I guess you're -- I'll  
12 rephrase the question, Mr. Kuczek.

13 The -- the reduced CO2 omissions provides  
14 an opportunity for the utility to claim credits, would  
15 that be correct?

16 MR. LLOYD KUCZEK: Claim credits and  
17 possibly sell them in the future, yes.

18 MR. BOB PETERS: And credits have value,  
19 as you say?

20 MR. LLOYD KUCZEK: Correct.

21 MR. BOB PETERS: And they either have  
22 value to the utility itself or you can sell them, as I'm  
23 understanding?

24 MR. LLOYD KUCZEK: Yes. What we do with  
25 our -- our electric and natural gas conservation

1 programs, whenever there's incentives or, I guess, or any  
2 contracts with the customer, we ask the customer to sign  
3 off those -- the value to those CO2 emissions.

4           They're not worth much to an individual,  
5 so we're accumulating them as a utility. And if we can  
6 potentially sell them some day, we will, or avoid  
7 purchasing CO2 emissions in the future.

8           MR. BOB PETERS: Maybe just give me the  
9 bigger picture on that, Mr. Kuczek as to why would you  
10 have to purchase them in the future or why could you  
11 potentially sell them in the future?

12           MR. LLOYD KUCZEK: Well, why we would  
13 sell them in the future is -- is if they had value, I  
14 guess, so that's fairly easy to -- to answer that.

15           Why we would purchase them is getting into  
16 an area that I'm not totally familiar with, but we do  
17 have a voluntary plan to reduce our emissions in the  
18 company and as part of that commitment I do believe that  
19 we have purchased a few emissions, at one (1) point. And  
20 so we could to -- we could have a potential need to do  
21 that to meet our commitment.

22           MR. BOB PETERS: And the commitment you  
23 speak of is what?

24           MR. LLOYD KUCZEK: It's a voluntary  
25 commitment to reduce our CO2 emissions.

1                   MR. BOB PETERS:    To whom do you sell --  
2 could you sell credits?  
3                   MR. LLOYD KUCZEK:    I believe it's traded  
4 on the Chicago Exchange.  
5                   MR. BOB PETERS:    And recognizing that  
6 these credits may have some value, does this DSM plan  
7 take into account the value of those credits going  
8 forward?  
9                   MR. LLOYD KUCZEK:    Correct.  
10                  MR. BOB PETERS:    And does it assume that  
11 the credits remain within the utility, or does it assume  
12 that you are selling them?  
13                  MR. LLOYD KUCZEK:    Either way.  
14                  MR. BOB PETERS:    It nets to the same  
15 amount?  
16                  MR. LLOYD KUCZEK:    Yes, because it could  
17 be avoided purchases as opposed to actually selling them.  
18                  MR. BOB PETERS:    Mr. Kuczek, when the gas  
19 utility is looking to decide programs, one (1) of the  
20 things you run them past is the total resource cost test,  
21 have I got that right?  
22                  MR. LLOYD KUCZEK:    Correct.  
23                  MR. BOB PETERS:    This is the same test  
24 you use on the electric side?  
25                  MR. LLOYD KUCZEK:    Yes.

1                   MR. BOB PETERS:   And this is an indicator  
2 that has to be met before the program is considered  
3 acceptable to Centra Gas?

4                   MR. LLOYD KUCZEK:   Yes.

5                   MR. BOB PETERS:   And am I correct that  
6 each and every program has to pass the total resource  
7 cost test?

8                   MR. LLOYD KUCZEK:   All incentive based  
9 programs need to have -- have to pass that.  Customer  
10 service programs don't necessarily have to pass that --  
11 those programs we might offer for our customers as  
12 general customer service programs.

13                   MR. BOB PETERS:   But if the customer  
14 service program didn't pass the total resource cost test,  
15 the basket of DSM programs you had available would have  
16 to be -- would have to, in total, pass the test; is that  
17 correct?

18

19                                   (BRIEF PAUSE)

20

21                   MR. BOB PETERS:   When the total resource  
22 cost test is examined, you want to determine whether or  
23 not, the marginal benefit is greater than the utilities  
24 costs and the participants costs, would that be a fair  
25 way to sum that up?

1                   MR. LLOYD KUCZEK: From the perspective  
2 of the Utility and the customer both from the benefits  
3 and the sides cost or the cost side, yes.

4                   MR. BOB PETERS: So the marginal benefit  
5 is the benefit to the consumer as well as the Utility and  
6 you weigh that against the cost to the Utility and the  
7 consumer?

8                   MR. LLOYD KUCZEK: That's correct.

9                   MR. BOB PETERS: And is it correct that  
10 the utilities program costs will include incentives?

11                   MR. LLOYD KUCZEK: Not when you're doing  
12 a total resource cost test, incentives are excluded from  
13 that cost because that's a transfer from the Utility to  
14 the customer. The total resource cost looks at it from a  
15 combined utility customer perspective.

16                   And the economic indicator is supposed to  
17 tell you whether or not it makes sense from that combined  
18 economic unit, whether you should pursue the initiative  
19 or not.

20                   MR. BOB PETERS: All right. But, the --  
21 some of these programs there's an incentive that is  
22 actually paid by the Utility, would that be correct?

23                   MR. LLOYD KUCZEK: Yes.

24                   MR. BOB PETERS: And instead of  
25 considering that a utility cost you put that over and

1 make that a participant cost?

2 MR. LLOYD KUCZEK: If it's an incentive  
3 it's not included in the total resource cost because it's  
4 a cost to the Utility, but it's a benefit to the  
5 consumer. So it nets out as zero.

6 MR. BOB PETERS: Can you explain to the  
7 Board then why you would use the rate impact measure test  
8 that you also used?

9 MR. LLOYD KUCZEK: The reason we use the  
10 rate impact measure is to help us decide what portion of  
11 the cost of implementing the energy efficient measure the  
12 Utility is going to pay and what cost the participant is  
13 going to pay.

14 And the reason we do that is because we  
15 need to balance the fairness issue of participants and  
16 non-participants with these initiatives.

17 In the ideal case and from an accounting  
18 perspective and a fairness issue or perspective, you  
19 would like these people that are benefiting from the  
20 programs to also incur the costs.

21 So you try to move towards that position,  
22 as much as possible. And the RIM test helps to do that.

23 MR. BOB PETERS: But you don't measure  
24 specific programs against the RIM test to decide whether  
25 the program is a go or no go?

1 MR. LLOYD KUCZEK: That's correct.

2 MR. BOB PETERS: Why is that?

3 MR. LLOYD KUCZEK: The RIM test is a --  
4 it's just an indicator to help you decide how much the  
5 Utility should be putting into the program to make it  
6 effective. It depends on each individual measure. It --  
7 in some cases, if the Utility didn't put anything into  
8 it, the energy conservation that you would achieve  
9 wouldn't be substantial.

10 So as it turns out, you design the program  
11 and you figure out what's the optimum to achieve the  
12 energy efficiency targets that you're hoping to achieve,  
13 and you're trying to balance that against who is going to  
14 pay for those costs.

15 MR. BOB PETERS: Even on an overall basis  
16 then the RIM test is not a -- isn't part of the go or no  
17 go decision making?

18 MR. LLOYD KUCZEK: Not strictly speaking,  
19 no.

20 MR. BOB PETERS: All right. You told the  
21 Board in --

22 MR. LLOYD KUCZEK: I should qualify that  
23 though. If it's too low, it -- it would -- you know --  
24 you know, I can pick a number of something like point  
25 zero three (.03), it would -- what it would do is end up

1 being an indicator for us that we would have to probably  
2 redesign the program as opposed to not pursue the  
3 initiative.

4                   So it's not necessarily no go, no go, but  
5 it -- it does influence how we design our programs.

6                   MR. BOB PETERS: Thank you, Mr. Kuczek,  
7 on page 7 and 8 of the study that you have in Volume III,  
8 you discussed the market potential study that you've  
9 done; correct?

10                  MR. LLOYD KUCZEK: Yes.

11                  MR. BOB PETERS: The results are  
12 contained in the charts that are on those two (2) pages?

13                  MR. LLOYD KUCZEK: Yes.

14                  MR. BOB PETERS: And can you just explain  
15 overall, I think the residential sector, the difference  
16 between technical, economic, and achievable?

17                  MR. LLOYD KUCZEK: The technical  
18 potential is the potential that you can achieve in the  
19 marketplace by implementing all energy efficient measures  
20 without taking into account the economics associated with  
21 implementing those measures.

22                  So -- and then the economic potential  
23 takes into account what is economic from the perspective  
24 of a TRC that we discussed earlier. And so that's what  
25 that tells you. And the achievable is what you think you

1 can achieve in the marketplace, given the barriers that  
2 are in place in the marketplace. So it's a percentage of  
3 the economic potential.

4 MR. BOB PETERS: Looking at the  
5 residential sector, what you're telling the Board here is  
6 that of the -- of the total technical potential that  
7 exists for DSM savings, Centra expects that it could  
8 achieve something less than 3 percent of that?

9 MR. LLOYD KUCZEK: Correct.

10 MR. BOB PETERS: Does that strike you as  
11 being somewhat low?

12 MR. LLOYD KUCZEK: Well, it's -- it's  
13 somewhat low, but the scope of this market potential  
14 study that we undertook excluded some of the  
15 opportunities that are available in the marketplace.  
16 This just looked at the existing facilities that are out  
17 there today, didn't include any new facilities.

18 So you can actually -- generally you would  
19 achieve something that would be a little higher than  
20 that. But given that -- the scope of the study, it's  
21 reasonable.

22 MR. BOB PETERS: Which barriers are you  
23 referring to that you now think you're allow -- you can  
24 overcome?

25 MR. LLOYD KUCZEK: I'm sorry, I'm not

1 sure I know what you mean by that.

2 MR. BOB PETERS: You indicate that  
3 there's -- that you felt that there were barriers to  
4 making greater market penetration, and you now have  
5 reason to believe that there may be opportunities that  
6 weren't previously analysed. Have I got that right?

7 MR. LLOYD KUCZEK: I'm not sure, are you  
8 looking for what the barriers are for coming up with the  
9 achievable potential as opposed to the economic  
10 potential?

11 MR. BOB PETERS: Yes, I'm looking only at  
12 the achievable.

13 MR. LLOYD KUCZEK: Yeah. There's all  
14 sorts of barriers. You know, people ask me this question  
15 all the time, and the best way I can describe it is to  
16 use my own personal experiences.

17 And if you look at my family, I've got a  
18 brother that's got his own business and he's fairly  
19 wealthy, and when I go over to his place and start  
20 talking about energy efficient measures, he pretty much  
21 shows me to the door. He really doesn't care about a  
22 hundred dollars (\$100), he'd sooner talk about other  
23 things in life.

24 I have another brother, that's not quite  
25 as wealthy, and he -- he's interested, but he has other

1 priorities, so when I'm over there he prefers to talk  
2 about snowmobiling, fishing, and stuff like that. So I  
3 really have to get his attention, and I -- and I do have  
4 a -- I -- there is somewhat of a probability of getting  
5 him to implement a compact fluorescent light for example.

6 I have a sister that's a low income  
7 person. She's a single mother with two (2) kids, making  
8 about thirty thousand dollars (\$30,000). And when I talk  
9 to her about energy efficient measures, she's somewhat  
10 interested, but she's more concerned about other  
11 priorities in her life, and how she's going to pay for  
12 her education for her kids some day and stuff like that.

13 And my parents are seniors, and you know,  
14 their concerns are more about how many more years of life  
15 they have, and so when I talk about paybacks of eight (8)  
16 years they -- they aren't that interested in implementing  
17 those measures.

18 So there's all sorts of barriers out  
19 there, but that gives you a -- a general idea of what  
20 those barriers are.

21

22 (BRIEF PAUSE)

23

24 MR. LLOYD KUCZEK: Mr. Peters, it was  
25 just pointed out to me, I didn't do the math, but the

1 numbers that you referred to earlier as being 3 percent,  
2 somebody's point out that it's 6.7 percent, just to  
3 clarify the record.

4 MR. BOB PETERS: Maybe we'll have to  
5 compare math notes. So you're taking that as a  
6 percentage of economic?

7 MR. LLOYD KUCZEK: Well, I'll just do the  
8 math right here so we have it on record. If you take 17,  
9 422,021 divided by 261,190,083, divide you come up with  
10 6.7 percent.

11

12 (BRIEF PAUSE)

13

14 MR. LLOYD KUCZEK: You may have come up  
15 with a lower number if you were taking the total -- I'm  
16 not sure actually why I was thinking -- we -- we did  
17 exclude the large -- the large -- few customers in this  
18 potential study but I -- this is residential so that  
19 wouldn't come into play.

20 MR. BOB PETERS: While we're looking at  
21 the residential subs -- or the residential sector, in  
22 terms of the subsector components, the low income housing  
23 programs that we talked about, where are those targeted  
24 in here?

25

MR. LLOYD KUCZEK: This -- this document

1 doesn't identify specific strategies for achieving the  
2 measures in some of the customer segments. It's a  
3 broader, higher level strategy document. And as we  
4 develop the specific strategies for the low income  
5 targets market, they'll be included in future programs,  
6 but at this point, they aren't identified in here.

7           Having said that, we do have an item on  
8 here, in -- under the budget for -- under contingency, I  
9 think, for some supplemental programs.

10           MR. BOB PETERS: Thank you. On page 26  
11 of the -- of the natural gas DSM program, you -- you  
12 provide the natural gas targets and the budgets, correct?

13

14                           (BRIEF PAUSE)

15

16           MR. LLOYD KUCZEK: On page 26 we have the  
17 targets, the CO2 emissions, levlized utility costs. I  
18 don't see the budgets there, oh yeah, the utility costs,  
19 yes they are there, correct.

20           MR. BOB PETERS: And when the Board looks  
21 at this, would it be fair to conclude that the way the  
22 plan is presently drawn up, by the year 2017/2018, there  
23 will be a \$100 million spent by the utility on DSM for  
24 gas?

25

          MR. LLOYD KUCZEK: Yes.

1                   MR. BOB PETERS:    And of that \$100  
2 million, 25 million of that is really contingency and  
3 future development plans?

4                   MR. LLOYD KUCZEK:   It's also support --  
5 support and contingency.  Support is some of the customer  
6 service programs, it will also be efforts towards  
7 implementing codes and standards with -- or just efforts  
8 towards trying to get energy efficiencies implemented  
9 into codes and standards.

10                  MR. BOB PETERS:    What are you attempting  
11 to demonstrate by the levellized utility cost per cubic  
12 metre?

13                  MR. LLOYD KUCZEK:   That's -- it's an  
14 indicator of what it costs the Utility to achieve those  
15 savings on a per unit measure basis.

16                  MR. BOB PETERS:    And you don't include in  
17 here the cost to consumers for these programs?

18                  MR. LLOYD KUCZEK:   Correct.

19                  MR. BOB PETERS:    Have you done those  
20 calculations?

21                  MR. LLOYD KUCZEK:   We have, yes.

22                  MR. BOB PETERS:    Could you -- could you  
23 revise this chart and provide another column which  
24 includes the consumer -- expected consumer costs for the  
25 various line item programs?

1 MR. LLOYD KUCZEK: We will do.

2

3 --- UNDERTAKING NO. 37: CENTRA to provide Board  
4 expected consumer costs for  
5 the various line item  
6 programs.  
7

8 CONTINUED BY MR. BOB PETERS:

9 MR. BOB PETERS: Thank you, sir. Can you  
10 explain to the Board why under -- halfway down the page  
11 we have some white blanks on this -- not completed for  
12 some of the projects that you've identified?  
13

13

14

(BRIEF PAUSE)

15

16

17 MR. LLOYD KUCZEK: I guess we could fill  
18 in some of those numbers. Some of them you couldn't fill  
19 in, but I am looking at the resident -- or a few of the  
20 programs there and we could have included that  
21 information. It doesn't look like it's included but I  
22 believe we could have.

22

23

24

25

We generally don't calculate the  
levellized utility cost for customer service programs.  
But I believe we could, given that we're now calculating  
what the savings are for those programs.

1                   MR. BOB PETERS: Well, if you -- when you  
2 file that undertaking with respect to the additional  
3 column for consumer costs, maybe you can fill in some of  
4 the blanks that you have.

5                   MR. LLOYD KUCZEK: Okay.

6                   MR. BOB PETERS: I appreciate that.

7

8                   (BRIEF PAUSE)

9

10                  MR. BOB PETERS: Mr. Kuczek, I noted in  
11 the DSM filing that one (1) of the steps that you wanted  
12 to do was to partner with the Federal Government on some  
13 programs?

14                  MR. LLOYD KUCZEK: That's correct.

15                  MR. BOB PETERS: And that's because they  
16 have some money available for programs for gas DSM?

17                  MR. LLOYD KUCZEK: That's correct.

18                  MR. BOB PETERS: And I read somewhere in  
19 your plan that you've already made application to the  
20 Federal Government for partnership with them on -- for  
21 funding on natural gas conservation programs?

22                  MR. LLOYD KUCZEK: We have applied  
23 through the Provincial Government for a couple of our  
24 programs for joint funding, yes.

25                  MR. BOB PETERS: You didn't apply to the

1 Federal Government?

2 MR. LLOYD KUCZEK: The Provincial  
3 Government applied to the Federal Government. It was a  
4 opportunities envelope program that they had in place.  
5 And to apply for the funds under that program, it would  
6 have to come through the Provincial Government.

7 MR. BOB PETERS: So as I understand the  
8 dominos, you apply to the Province, the Province then on  
9 your behalf, applies to the Federal Government?

10 MR. LLOYD KUCZEK: We worked in  
11 partnership with the Provincial Government to submit the  
12 application.

13 MR. BOB PETERS: And were you successful  
14 in your application?

15 MR. LLOYD KUCZEK: Yes.

16 MR. BOB PETERS: And how much money did  
17 you get from the Federal Government?

18 MR. LLOYD KUCZEK: Well, there was -- the  
19 programs that we were involved in I believe it's \$1.2  
20 million per each program, so it would be about 2.4  
21 million for the last two (2) years.

22 MR. BOB PETERS: \$2.4 million a year for  
23 two (2) years so --

24 MR. LLOYD KUCZEK: That's in total.

25 MR. BOB PETERS: I'm sorry then let's

1 make sure we're clear. \$2.4 million over two (2) years?

2 MR. LLOYD KUCZEK: Correct.

3 MR. BOB PETERS: And the total amount

4 then was 2.4 from the Federal Government?

5 MR. LLOYD KUCZEK: Correct.

6 MR. BOB PETERS: Is there a matching

7 portion from the Provincial Government?

8 MR. LLOYD KUCZEK: No.

9 MR. BOB PETERS: Any monies from the  
10 Provincial Government?

11 MR. LLOYD KUCZEK: No.

12 MR. BOB PETERS: Is there any further

13 commitment from the Federal Government for gas DSM?

14 MR. LLOYD KUCZEK: At this point, I don't  
15 think there's specific dollars dedicated to gas DSM from  
16 the Federal Government. They just have funds available  
17 in various programs and then there's opportunities as you  
18 move forward to apply for those funds.

19 And -- or yeah, apply for those funds and  
20 DSM is one of those opportunities, that you can use.

21 MR. BOB PETERS: Now the \$2.4 million  
22 total figure coming from the Federal Government, is that  
23 tied to any specific program?

24 MR. LLOYD KUCZEK: Yes, half of it is tied  
25 to the installation program and half is tied to the high

1 efficiency furnace program.

2 MR. BOB PETERS: Tell me about when you  
3 say it's tied to the installation program, that means  
4 that the Federal Government has to go towards homes that  
5 are retro-fitting and increasing their insulation values?

6 MR. LLOYD KUCZEK: That's correct.

7 MR. BOB PETERS: And the other half has  
8 to go to homeowners who want to buy high efficiency  
9 furnaces?

10 MR. LLOYD KUCZEK: Yes, but, I should  
11 clarify that. They're separate proposals and when I say  
12 half, I'm just using an approximate numbers. But,  
13 they're separate programs and they both involve roughly  
14 \$1.2 million. And that's how they're allocated. But,  
15 they are separate proposals.

16 MR. BOB PETERS: Are there any  
17 restrictions on the utility as to how it utilizes those  
18 funds within those programs?

19 MR. LLOYD KUCZEK: We're in the process  
20 of negotiating the contribution agreements with the  
21 Federal Government right now, so the restrictions will be  
22 identified in that contribution agreement.

23 MR. BOB PETERS: And when you say, those  
24 restrictions, does that also mean the terms and  
25 conditions under which you can use the money will be

1 identified?

2 MR. LLOYD KUCZEK: That's correct.

3 MR. BOB PETERS: And have you -- have you  
4 targeted any specific terms and conditions for the  
5 insulation and the high efficiency furnace program?

6 MR. LLOYD KUCZEK: We don't have targeted  
7 terms and conditions in mind, generally speaking, we  
8 would like to -- with the insulation program, for  
9 example, what we want to do is extent the program that we  
10 have on the electric side right now and make it available  
11 to our gas consumers.

12 And so we would like to offer that program  
13 if we submitted a proposal to the Federal Government to  
14 do that and we were looking for supporting funds to help  
15 us achieve that.

16 MR. BOB PETERS: Can you use those -- the  
17 \$1.2 million on the insulation program, let's say for the  
18 low income housing that we had talked about earlier?

19 MR. LLOYD KUCZEK: Generally speaking, I  
20 would say not.

21 MR. BOB PETERS: Why not?

22 MR. LLOYD KUCZEK: Only if it was through  
23 the insulation program -- under the proposed -- it would  
24 have to be within the terms and conditions of the  
25 proposal that we submitted to the Government.

1 MR. BOB PETERS: And is it?  
2 MR. LLOYD KUCZEK: Well, low income  
3 people -- or low income consumers would be eligible for  
4 those programs. When you have a low income program, what  
5 you could do is have a low income program that integrates  
6 the installation program into that, and so you could --  
7 the low income people would be eligible through that.  
8 MR. BOB PETERS: Mr. Kuczek, is that \$2.4  
9 million of Federal Government money included on page 28  
10 of your filing --  
11 MR. LLOYD KUCZEK: No.  
12 MR. BOB PETERS: -- in terms of the  
13 budget?  
14 MR. LLOYD KUCZEK: No, it's not.  
15 MR. BOB PETERS: In which year will -- is  
16 it to be received?  
17 MR. LLOYD KUCZEK: '05/06, '06/07. I  
18 think it -- I'll just correct that. I think it goes to  
19 March '06.  
20 MR. BOB PETERS: So it's not reflected in  
21 the revenue requirement, Mr. Rainkie?  
22 MR. DARREN RAINKIE: No, that wouldn't  
23 be, Mr. Peters. As I discussed earlier, the -- the lower  
24 expenditures are reflected in the revenue requirement  
25 from the -- that existed at the time of the preparation

1 of the IFF.

2 MR. BOB PETERS: And but the Government -  
3 - the Government grant or the Government funding portion  
4 is likewise not captured in the revenue requirement?

5 MR. DARREN RAINKIE: That's correct, but  
6 let's make sure we understand the higher expenditures  
7 aren't there, and neither is the Government funding, so  
8 in -- I think on a net basis, we still have less in the  
9 rate case, than we plan on expending.

10 MR. VINCE WARDEN: Just want to be --  
11 perhaps I can add to that, Mr. Peters. It's -- it's not  
12 an omission, by any means, in the filing, the filing is  
13 always based on what's improved in the integrated  
14 financial forecasts, and we've been consistent in that.

15 So the next time we update the IFF, those  
16 amounts will be included.

17

18 (BRIEF PAUSE)

19

20 MR. BOB PETERS: Just moving to the  
21 topic, and I might have to get Mr. Warden's legal hat on  
22 here. The Sustainable Development Act, is -- is that a  
23 statute that -- I know it came up earlier in the  
24 Proceedings, but is that a statute that the Corporation  
25 has considered and whether it's applicable to Centra Gas

1 Manitoba Inc.?

2 MS. MARLA MURPHY: If you don't mind, I  
3 think I'll keep my hat and maybe put our position on the  
4 record. We intend to address it in final argument as it  
5 becomes necessary, but I think it might be helpful to  
6 have the position clear at this point.

7 Looking at the Sustainable Development  
8 Act, it applies only to specific entities as are defined  
9 by the Act. That would include Provincial public sector  
10 organizations, or local public sector organizations to  
11 which the Act applies by regulation.

12 Centra Gas doesn't fall into either of  
13 those definitions, even without the regulation. When you  
14 look at the Public Utilities Board, it arguably may fall  
15 into the category of a Provincial public sector  
16 organization. However, the regulations that I've been  
17 able to discern, don't include it.

18 The only regulation that's been passed  
19 under that Act, to my knowledge, is one (1) which  
20 provides for local governments, school divisions,  
21 universities, colleges and regional health authorities.  
22 So as such, it would be the position of Centra, that that  
23 Act is not intended to apply either to Centra Gas or to  
24 the Public Utilities Board at this point.

25 MR. BOB PETERS: Well then I guess I'll

1 leave that for final argument, and the Board can -- can  
2 consider your position further there and the position of  
3 anybody else who -- who chooses to raise it.

4

5 CONTINUED BY MR. BOB PETERS:

6 MR. BOB PETERS: The issue of broker  
7 costs, Ms. -- Ms. Derksen, was one (1) that you spoke to  
8 in your direct evidence to Ms. Murphy; is that correct?

9 MS. KELLY DERKSEN: I spoke about two (2)  
10 different -- well, two (2) different types of fees, one  
11 (1) is a WTS fee, which is non-existent today. The other  
12 one (1), which is existent and does apply to brokers, is  
13 what we call the ABC fee or the Agent Billing and  
14 Collection fee, and currently we charge twenty-five (25)  
15 cents per customer per month for that particular fee.

16 MR. BOB PETERS: And just so the Board  
17 will be clear, Ms. Derksen. The reason you don't charge  
18 a WTS fee, is because those costs are charged to all of  
19 your customer base, including direct purchase customers  
20 through the distribution charge?

21 MS. KELLY DERKSEN: Yes, sir, it stems  
22 from policy decisions that were made and approved by the  
23 Board, in Order 19/00, and that decision was that WTS was  
24 going to be implemented. That service would provide  
25 choice to all customers and all customers benefit from

1 having that choice, and therefore we were going to  
2 recover, and the Board approved that we would be allowed  
3 to recover all costs of administering WTS in the  
4 distribution to customer rates so it would be recovered  
5 from all customers.

6 MR. BOB PETERS: And it worked out to a  
7 dollar seventy-three (\$1.73) per 1,000 cubic metres for  
8 the first test year?

9 MS. KELLY DERKSEN: No, sir, we're on two  
10 (2) different wavelengths here. I guess I -- there's a  
11 second part of this issue. One is WTS fee which is, I  
12 guess, common in other jurisdictions, not in this  
13 particular jurisdiction but it would be a fee for  
14 administering WTS service, so for procuring or for  
15 transporting natural gas, I suppose, from Alberta to  
16 Manitoba.

17 We do not charge that fee, the dollar  
18 seventy-three (\$1.73), the dollar forty-five (\$1.45)  
19 that's currently in place and the dollar eighty-four  
20 (\$1.84) that we're proposing for the second part of the  
21 test year relates to the operating and or -- sorry, the  
22 non-gas cost that's embedded in the primary gas rates.

23 So, it's separate and distinct. It was  
24 the initial -- the Board Order that came out in 2000,  
25 19/00, I guess a strict interpretation of that would be

1 that all costs associated with administering WTS as well  
2 as all costs associated with providing primary gas  
3 service on the Centra side of things would be recovered  
4 through the distribution rate from all customers.

5                   Centra took that a step further and said,  
6 Well, to be -- to be exactly fair to be more fair, we  
7 would like to put in the primary gas rate some of the  
8 very direct costs of providing primary gas service and  
9 the dollar seventy-three (\$1.73) that you and I are now  
10 talking about are just the very direct costs of providing  
11 the primary gas service only.

12                   MR. BOB PETERS:    Only to system  
13 customers?

14                   MS. KELLY DERKSEN:    Only to system  
15 customers, right.

16                   MR. BOB PETERS:    Thank you for that  
17 clarification and -- and you call the ABC fee the Agency  
18 Billing and Collection fee.  That's the fee that's  
19 presently set at twenty-five (25) cents?

20                   MS. KELLY DERKSEN:    Yes, sir.

21                   MR. BOB PETERS:    And is there any request  
22 in this Application to vary that fee?

23                   MS. KELLY DERKSEN:    There is not.

24                   MR. BOB PETERS:    And is twenty-five (25)  
25 cents considered sufficient by the Corporation to -- to

1 cover off the costs for any agency billing and collection  
2 services provided?

3 MS. KELLY DERKSEN: I think we consider  
4 it appropriate at this point. Whether it's sufficient or  
5 not to recover the costs of administering ABC is -- is  
6 really anyone's guess. It's a nominal fee; it was never  
7 intended to be fully cost -- to reflect the full cost of  
8 administering that service.

9 It was simply considered a nominal fee to  
10 acknowledge the fact that Centra incurs some minor costs  
11 in putting a separate rate for the broker, a separate  
12 and, perhaps, you know, the name of the broker on the  
13 bill.

14 It was simply to acknowledge that there  
15 are some costs, some minor costs, in providing that  
16 service and then, as well, to provide the collection  
17 portion, we bring in all the revenues and we provide  
18 them, the brokers, at some point, the -- the revenues  
19 that they are entitled to from -- from Centra's bill.

20 MR. BOB PETERS: Can you summarize, Ms.  
21 Derksen, what -- what fees or costs the brokers do pay in  
22 Manitoba?

23 MS. KELLY DERKSEN: From Centra's side,  
24 they only pay the twenty-five (25) cents per customer,  
25 per month fee, and that's the only fee that they

1 currently pay.

2 MR. BOB PETERS: Thank you. Mr. Warden,  
3 you were -- you were proud of yourself for answering  
4 questions yesterday when you were flying with your eyes  
5 closed I think, but with your assistance today, sir, I  
6 just have a couple of areas here to -- to talk about on  
7 the unified bill.

8 The present practice of the electric  
9 utility, is that if an electrical bill is not paid,  
10 Manitoba Hydro will seek payment of that account from  
11 anybody who has benefited from the heat; would that be  
12 correct?

13 MR. VINCE WARDEN: Yes, that is our  
14 current practice.

15 MR. BOB PETERS: And when I say anybody  
16 who's benefited from the heat, you refine that to be any  
17 adult who has benefited from the heat; would that be  
18 fair?

19 MR. VINCE WARDEN: Correct.

20 MR. BOB PETERS: So basically, if the  
21 account is in the name of the husband/father, you would  
22 not consider yourself prohibited from going after the  
23 mother or any adult children in the home?

24 MR. VINCE WARDEN: That's correct.

25 MR. BOB PETERS: On the gas side of the

1 business, if a gas customer wants to sign up for a  
2 broker, the customer who's name is on the gas bill, is  
3 the only person who can enter into a contractual  
4 arrangement with the gas broker; is that correct?

5 MR. VINCE WARDEN: Correct.

6 MR. BOB PETERS: And if the gas bill goes  
7 into arrears and is not paid Centra seeks payment of the  
8 gas bill from the person whose name is on the gas bill;  
9 is that correct?

10 MR. VINCE WARDEN: We do.

11 MR. BOB PETERS: And Centra does not seek  
12 payment of the gas bill from anybody who may have  
13 benefited from the gas service, is that also correct?

14 MR. VINCE WARDEN: Well, not entirely,  
15 Mr. Peters. We do attempt to collect from user as we do  
16 on the electricity side. Whether -- because as you  
17 pointed out there is a contract underlying the supply of  
18 natural gas in some cases with respect to a broker --  
19 when a broker has signed up a customer. Whether that --  
20 we have the legal right to do so, I guess, I'll leave  
21 that to Ms. Murphy and others to decide.

22 But, in practice, we do pursue any adult  
23 person who might be benefiting from the receipt of that -  
24 - of that service.

25 MR. BOB PETERS: Well, cut it to the

1 chase, Centra would like their bill paid, they don't  
2 really care who pays it, as long as it's paid; correct?

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

4 MR. BOB PETERS: But, can you tell the  
5 Board, whether or not, you've embarked on a legal  
6 collection where you have attempted to collect your gas  
7 account from a person other than a person named on the  
8 gas bill? Are you aware of that?

9 MR. VINCE WARDEN: Well, as I indicated,  
10 our practice is to pursue in the event of non-payment, we  
11 do pursue all adults at that premise.

12 MR. BOB PETERS: Have you taken all  
13 adults at the premise to Court to see if you can  
14 successfully enforce that position?

15 MR. VINCE WARDEN: That has never been  
16 challenged to my knowledge.

17 MR. BOB PETERS: All right. In terms of  
18 the single bill that you're proposing before the Board  
19 recognizing that the gas side and the electric side have  
20 some nuances that we've just talked about, what will be  
21 the position of the company going forward on the  
22 collection of the gas and the electric accounts?

23 MR. VINCE WARDEN: Well, in practice, Mr.  
24 Peters our -- that practice would not change.

25 MR. BOB PETERS: And whether that

1 practice is sustained in the Courts is a matter that  
2 would have to be left for another day to be decided in  
3 another venue?

4 MR. VINCE WARDEN: Should it reach --  
5 reach the Courts, I agree with that, yes.

6 MR. BOB PETERS: Thank you. Mr. Chairman  
7 with those answers to my questions, I'd like to thank the  
8 Panel for their cooperation.

9 Those conclude my questions. I'd also  
10 like to indicate to the Board and the -- and the parties  
11 present that there has been, I believe, an accommodation  
12 offered up by Mr. Saxberg resident in Winnipeg, to stand  
13 down his questions of this Panel to facilitate the  
14 questions by the other intervenors. And he would just  
15 drop to the bottom of the list, if you would.

16 So, Mr. Boyd would have first opportunity  
17 to give questions, followed by Mr. Brown, Ms. Ruzycki,  
18 Dr. Miller, and then back to Mr. Saxberg.

19 THE CHAIRPERSON: Thank you Mr. Peters.  
20 I have a couple of questions.

21 With respect to the loan program, I  
22 believe, Mr. Kuczek you indicated that there had been \$65  
23 million advanced since 2001.

24 Do I take it that that's to the end of  
25 March 31st, 2005?

1                   MR. LLOYD KUCZEK: It's to either  
2 yesterday or the day before.

3                   THE CHAIRPERSON: Approximately how much  
4 of that money would still be outstanding?

5                   You can just provide an undertaking if you  
6 want?

7                   MR. LLOYD KUCZEK: I -- I guess we can do  
8 that.

9  
10 --- UNDERTAKING NO. 38:       CENTRA to indicate to Board  
11                                   how much money would still be  
12                                   outstanding with respect to  
13                                   the loan program.

14  
15                   THE CHAIRPERSON: What is the interest  
16 rates on these loans right now? I understand you reduced  
17 them?

18                   MR. LLOYD KUCZEK: Six point five (6.5).

19                   THE CHAIRPERSON: And how do you match  
20 that off against your borrowing, is it cost of funds from  
21 short term?

22                   MR. VINCE WARDEN: Yes, Mr. Chairman,  
23 there's a formula we develop which includes a small  
24 administration fee. The objective is to essentially  
25 cover off our cost.

1                   THE CHAIRPERSON:    The short term loans  
2 right now must be pretty nominal rates I would imagine?  
3                   MR. VINCE WARDEN:    They are.  
4                   THE CHAIRPERSON:    And the formula that  
5 you use, its intent is basically, as you say, just to  
6 cover off the cost. Does the cost include bad debt cost?  
7                   MR. VINCE WARDEN:    Yes, there is a  
8 provision in there for bad debts. And -- and we do look  
9 at it, so we're not changing the -- the rate frequently.  
10 We do look at it over -- over a long term.  
11                  THE CHAIRPERSON:    When's the last time  
12 you looked at that?  
13                  MR. VINCE WARDEN:    I believe it's within  
14 the last two (2) years.  
15                  MR. LLOYD KUCZEK:    We reviewed it,  
16 actually, in December.  
17                  THE CHAIRPERSON:    One (1) last question  
18 on this series. Does increased success with respect to  
19 conservation efforts reduce bad debt costs?  
20                  MR. LLOYD KUCZEK:    To the extent that the  
21 consumer owes less, I guess it could have that impact.  
22                  THE CHAIRPERSON:    Okay, thank you.  
23 Before the break I'll just check with Mr. Boyd whether he  
24 has any questions of this Panel?  
25                  MR. SANDY BOYD:     I do not.

1 THE CHAIRPERSON: Thank you. Mr. Brown,  
2 I understand it'll take you a little bit of time to go  
3 through yours, so perhaps we're best to have our break  
4 right now then.

5 We'll come back at 10:30, and begin again  
6 with Mr. Brown.

7

8 --- Upon recessing at 10:35 a.m.

9 --- Upon resuming at 10:35 a.m.

10

11 THE CHAIRPERSON: Welcome back, everyone.  
12 Mr. Brown...?

13 MR. DAVID BROWN: Thank you very much,  
14 Mr. Chair.

15 During the course of the cross-examination  
16 of the first panel, Direct Municipal filed a document  
17 brief which was marked as Direct Exhibit Number 2. I  
18 prepared a second volume of the brief for purposes of  
19 cross-examination of this -- this third panel.

20 Copies were delivered to the Intervenors  
21 last week in advance. Ms. Murphy and I have had some  
22 correspondence back and forth over some matters and I  
23 think we've resolved things, but before asking that this  
24 be marked as an exhibit, I thought I would perhaps afford  
25 Ms. Murphy an opportunity to -- to make any comments that

1 she has about the -- the documents.

2 THE CHAIRPERSON: Ms. Murphy...?

3 MS. MARLA MURPHY: Thank you, My Friend  
4 Mr. Brown is correct. We have had discussions in that  
5 regard and in the e-mail which Mr. Brown sent and which  
6 was copied to the Board and others, I think he's made  
7 clear that his intention is that he's not so much trying  
8 to file this as evidence to argue on the strength of it,  
9 but rather to put to the witnesses some of the options  
10 that are outlined in those documents.

11 And on that basis we don't have an issue  
12 with it being included.

13 THE CHAIRPERSON: Very good Ms. Murphy.  
14 Mr. Brown...?

15 MR. DAVID BROWN: Sir, if I could ask  
16 that the cross-examination brief Volume II, be marked as  
17 the next Exhibit, which I think would be Direct Exhibit  
18 3.

19 THE CHAIRPERSON: Mr. Singh indicates  
20 that that is it. Please proceed.

21 MR. DAVID BROWN: Thank you.

22

23 --- DIRECT-3: Cross-examination brief Volume II.

24

25 CROSS-EXAMINATION BY MR. DAVID BROWN:

1 MR. DAVID BROWN: Panel, I've got  
2 questions in four (4) areas, the cost allocation, the  
3 integrated bill, customer education and the fixed price  
4 offerings.

5 Ms. Derksen, I think I'll start with you  
6 on the cost allocation. At Tab 10 of the pre-filed  
7 evidence that Centra has filed at page 8, you've  
8 indicated that with respect to the primary gas overhead,  
9 I think as you've described it that you are -- that  
10 Centra is proposing that the current overhead rate of  
11 \$1.45 per ten (10) three (3) M-3 be raised to 1.75 in the  
12 2005/2006 year.

13 And then be raised, increased to \$1.87 per  
14 103M3 in the 2006/2007 year. And my question to you, is  
15 could you please explain what the drivers or the causes  
16 of those forecast increases are?

17 MS. KELLY DERKSEN: I just wanted to  
18 clarify before I respond to your question that we're  
19 actually, we've updated our application and in the  
20 process of updating that application, on April the 29th,  
21 those primary gas overhead rate amounts have changed from  
22 \$1.75 in -- proposed in '05/'06 to \$1.73. And from \$1.87  
23 proposed in '06/'07 to \$1.84.

24 But the primary driver of the changes from  
25 \$1.45 to \$1.73 and \$1.84 is a revenue requirement

1 increase. All of our costs are increasing and there are  
2 a number of components within our total revenue  
3 requirement that ultimately hit the primary gas overhead  
4 rate and that's why we're seeing an increase.

5 For example, our operating and maintenance  
6 expenses are increasing costs on account of Mr. Stevens  
7 department, on account of regulatory, on account of gas  
8 accounting.

9 Those are three (3) costs that  
10 specifically hit the primary gas overhead rate. Those  
11 departmental costs are proposed to increase as part of  
12 this application. And so it's just, I guess, bottom line  
13 is that we're just seeing general increases in many of  
14 the costs and that's what driving the cost increase for  
15 the primary gas overhead rate.

16 MR. DAVID BROWN: So, do I understand it  
17 correctly that the increases are not attributable, in any  
18 way, to changes in cost allocation methodology that  
19 Centra is employing?

20 MS. KELLY DERKSEN: I would agree with  
21 your statement, Mr. Brown, yes.

22 MR. DAVID BROWN: An interrogatory was  
23 asked of Centra by the PUB and I don't think you need to  
24 pull it up, but, you can if you want. PUB/CENTRA-90  
25 which asked you to break out the components of the

1 2005/2006 overhead costs.

2                   And I thought for purposes of the cross-  
3 examination, instead of going to that response, I could  
4 ask you to use schedule 10.1.5, which is a detailed  
5 breakdown of your costs to deal with some of these  
6 questions.

7                   If you could turn with me in Volume II,  
8 what we've marked as Exhibit 3 of the cross-examination  
9 brief, to Tab -- sorry -- I'm mis-speaking. Volume I of  
10 the cross-examination brief, which is Exhibit 2 of  
11 Direct, Tab 8, I have reproduced what I believe is the  
12 updated schedule 10.1.5, dated April 29, 2005.

13                   So, perhaps you could turn that up Ms.  
14 Derksen?

15

16   (BRIEF PAUSE)

17

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

20                   MR. DAVID BROWN:    If you could turn with  
21 me please to page 3 of schedule 10.1.5. If we look at  
22 the category finance and administration which I  
23 understand comprises part of the primary gas overhead, do  
24 I read this document correctly that the finance and  
25 administration costs that are allocated to the primary

1 gas overhead are found not on page 3, but, on the next  
2 page, page 4, under the heading, "Primary Gas."

3 MS. KELLY DERKSEN: Yes, those are the  
4 non-gas costs embedded in the -- that are proposed to be  
5 embedded in the primary gas over -- and overhead charge,  
6 yes.

7 MR. DAVID BROWN: Those non-gas costs  
8 that will be embedded in the distribution rate are found  
9 back then on page 3, under the various of customer  
10 categories, SGS-R, SGS-C, et cetera, correct?

11 MS. KELLY DERKSEN: That's correct.

12 MR. DAVID BROWN: And you've provided  
13 these schedules for the 2005/2006 test year, as well as  
14 for the subsequent 2006/2007 test year, correct?

15 MS. KELLY DERKSEN: Yes, sir.

16 MR. DAVID BROWN: Now about two (2) years  
17 ago, you and I had a back and forth on some of these, the  
18 components under the finance administration, in  
19 particular, what were called gas procurement and gas  
20 accounting costs.

21 And you'll recall that my client raised  
22 some concerns through the cross-examination of you, about  
23 what was going into those categories and how they were  
24 being allocated between distribution rates and the  
25 primary gas rate, correct?

1 MS. KELLY DERKSEN: Yes, I do recall  
2 that.

3 MR. DAVID BROWN: And if you could turn  
4 with me in Volume I of the cross-examination brief,  
5 Direct Exhibit 2, to Tab 11, there's an extract there  
6 from the Board's Order 118/03, dated July 29, 2003.

7 And you'll see at page -- you'll see the  
8 first page there is page 74 of the Decision, dealing with  
9 cost allocation. And if you turn ahead to page 76 and  
10 then page 77, there are the Board findings, and in  
11 particular on page 77, you'll see in the second paragraph  
12 -- are you with me?

13 MS. KELLY DERKSEN: Yes, sir, I am.

14 MR. DAVID BROWN: Okay. You'll see in  
15 the second paragraph that the Board notes Municipal's  
16 view, that:

17 "There has been an incorrect allocation  
18 or assignment of gas procurement and  
19 gas accounting costs."

20 And then at the end the Board said:

21 "The Board will approve Centra's  
22 treatment of these costs, but will  
23 require Centra to more  
24 precisely track such costs in the  
25 future."

1 Do you see that?

2 MS. KELLY DERKSEN: I do see that, sir.

3 MR. DAVID BROWN: And if you could turn  
4 with me to -- in this Volume I, Exhibit 2, to Tab 10.  
5 I've reproduced the allocation results of revenue  
6 requirement elements for the 2003/2004 test year, which  
7 were the evidence before the Board in the 118/03. You  
8 called it Section 11.4.4, in that Proceeding.

9 And if you go with me to page 3 of 8,  
10 you'll see under Heading C, Finance and Administration.  
11 Do you have that?

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

14 MR. DAVID BROWN: And if you could put  
15 your finger there and flip back with me to the evidence  
16 that you filed in this Hearing, starting at Tab 8 of  
17 Direct Exhibit 2, which is Schedule 10.1.5, and go with  
18 me to page 3 of 6, you'll see under Heading B, Finance  
19 and Administration. Have you got that?

20 MS. KELLY DERKSEN: I think you're  
21 actually referring to page 4 of 6, there's a sub-total  
22 there in the order of 1.044 million.

23 MR. DAVID BROWN: Both on page 3 and page  
24 4, you've got the finance administration; page 3, the  
25 distribution rates, page 4 is primary gas, but the

1 elements are the same; correct?

2 MS. KELLY DERKSEN: Yes, sir.

3 MR. DAVID BROWN: And sort of to my sort  
4 of untrained non-rate analysts eye, when I take a look at  
5 the categories in finance and administration,  
6 particularly dealing with gas procurement and gas  
7 accounting, that were the subject matter of the 2003/2004  
8 test year.

9 And then take a look at the categories  
10 that you're using this year, they strike me as being the  
11 same. And I don't see where Centra has responded to the  
12 Board's direction that they more precisely track such  
13 costs in the future.

14 So my question to you, Ms. Derksen, is  
15 could you explain what Centra has done to more precisely  
16 track the gas procurement and gas accounting costs in the  
17 future, as the Board requested in Order 118/03?

18

19 (BRIEF PAUSE)

20

21 MS. KELLY DERKSEN: I guess there's a  
22 couple of things, Mr. Brown. First, and I guess  
23 foremost, is that you've read more into the Board Order,  
24 perhaps, than -- than what you've outlined for me this  
25 morning.

1                   The Board Order that I'm referring to is  
2 118/03 on page 77 and the Board's words to us say:  
3                   "The Board is not prepared to accept  
4                   the fact that a proper allocation of  
5                   these costs is the mathematical  
6                   calculation using the respective annual  
7                   values of primary, supplemental  
8                   transportation and distribution related  
9                   gas costs."  
10                  The Board -- and then it goes on to say  
11 what you and I have discussed and I think how we've  
12 viewed it is that the -- I guess the other part of what  
13 we thought the Board had indicated to us is that the  
14 Board suggested that they did not believe that Centra had  
15 an incorrect allocation or assignment of gas procurement  
16 and accounting costs.  
17                  So, that's really the piece of the Board  
18 Order that we relied heavily on, that the fact that we  
19 think that what we have done is consistent with Board  
20 Order -- this Board Order 118/03.  
21                  It's also consistent with Board Order  
22 19/00 that said the bulk of both WTS costs and of primary  
23 -- of providing primary gas should reside in the  
24 distribution rate.  
25                  It's really only been on Centra's, I guess

1 you could call it, on Centra's goodwill that we have  
2 assigned a small amount of very direct primary gas costs  
3 or very direct costs of providing primary gas service and  
4 the primary gas rate.

5           And on those two (2) accounts we think  
6 what we are doing is -- is consistent with both of those  
7 Orders.

8           MR. DAVID BROWN: Well, what you have  
9 done for the non-gas costs and the primary gas rates is a  
10 bit more than Centra's goodwill, is it not?

11           What you're trying to do is reflect the  
12 principle of cost causation and if a particular class of  
13 customers incur a cost, then they should be allocated  
14 those costs and those costs should be recovered against  
15 the rate to that customer, correct?

16           That's not a matter of goodwill, that's  
17 just general regulatory treatment?

18           MS. KELLY DERKSEN: I think you and I  
19 have a little bit different interpretation of -- of cost  
20 causation that I should probably put on the record.

21           With respect to providing WTS service,  
22 because of the policy decisions that were made, flowing  
23 out of the WTS Order and that policy decision was that  
24 WTS was going to be implemented and was going to provide  
25 choice to all customers, and that customers all benefit

1 from that choice.

2                   And so my interpretation of cost causation  
3 from that perspective is that all customers are causing  
4 for that cost to be incurred and I think the perspective  
5 that you're coming from is that only those customers who  
6 are exercising a choice should cause -- are causing those  
7 costs to be incurred and therefore should be recovered  
8 through the primary gas rate.

9                   And I'm saying, I don't -- I don't really  
10 think that way. I think it -- from the perspective that  
11 everyone's causing those costs, everyone is benefiting  
12 from them so everyone should pay.

13                   MR. DARREN RAINKIE: Mr. Brown, and along  
14 that line, and I would -- unfortunately it's not in your  
15 Book of Documents, but I would refer to you to pages 20  
16 and 21 of Order 19/00 which was the WTS Order that set up  
17 the service in the first place.

18                   And in there it clearly indicates from the  
19 Board the expectation that there it would be a common  
20 distribution charge for both system supply customers and  
21 WTS customers.

22                   And I think that's what Ms. Derksen is  
23 trying to explain, that we -- we made a compact back in  
24 Order 19/00 that because we looked at it philosophically,  
25 that no matter what service you select, it's -- there's -

1 - there's a value and choice to the customer, that  
2 regardless if you're a WTS customer or a system supply  
3 customer, you would pay a common distribution fee.

4 I think what Mr. Derksen -- Ms. Derksen is  
5 trying to say is that to be beyond reproach, we decided  
6 that we would take some of those very direct costs of  
7 providing primary gas service and put them in the primary  
8 gas rate so that we wouldn't, indeed, be criticized by  
9 your client when we came to this proceeding.

10 But I think just a clean reading of Order  
11 19/00 would have allowed us just to leave the pure  
12 commodity cost of the primary gas rate in that rate and  
13 not have an overhead rate in the first place.

14 So, I think you're talking about  
15 principles of cost causation, but we examine these  
16 principles and we all, I think have the same position  
17 that, you know, in Order 19/00, that it was best if we  
18 put all of the costs of both system supply and  
19 administering WTS supply in one (1) common distribution  
20 rate to all customers pay.

21 And I think that's the confusion we've had  
22 in the last two (2) or three (3) hearings on this matter.

23 MR. DAVID BROWN: Well, I don't think  
24 there's any confusion, with respect, and you've referred  
25 to 19/00 several times, you're free to do that because it

1 says what it says.

2 My questions to Ms. Derksen, were based  
3 upon the last sentence on page 77, in Board Order 188/03  
4 and I asked what Centra had done to more precisely track  
5 such costs in the future and do I understand the answer  
6 to be, Centra has done nothing to track those costs more  
7 precisely?

8 MR. DARREN RAINKIE: No I don't think  
9 that the answer is that we've done nothing, sir. I think  
10 another source of confusion --

11 MR. DAVID BROWN: Well, excuse me --

12 MR. DARREN RAINKIE: Well, can I answer  
13 the question?

14 MR. DAVID BROWN: -- but, where have they  
15 been more precisely tracked? Where --

16 MR. DARREN RAINKIE: Sorry, sir, I'm  
17 going to come to that please --

18 MR. DAVID BROWN: Oh yeah.

19 MR. DARREN RAINKIE: -- if you would let  
20 me put my information on the record, I think I can  
21 enlighten you on that.

22 Let's go back to the last GRA because you  
23 want to take us back to the last GRA. And I think the  
24 confusion here is that what we've called gas supply, the  
25 program that we've called gas supply has many sub-

1 components to it.

2           And if you recall the undertaking that got  
3 us into trouble in the first place is that that gas  
4 supply name has many different sub-components to it. One  
5 (1) of the sub-components of that is providing W2S  
6 service. It's the very cost of administrating W2S  
7 service.

8           So, Ms. Derksen is looking at the details  
9 underneath that one (1) line caption and allocating out  
10 the details. And I think that's where there was  
11 confusion. Perhaps the Board didn't understand there was  
12 details underneath that line item.

13           But, it's not that we've done nothing,  
14 sir, it's probably the confusion here is that that line  
15 item captures many different types of costs. And it's  
16 not just purely gas supply costs as you might think of  
17 it.

18           MR. DAVID BROWN:   So, do I understand Mr.  
19 Rainkie, your answer to be that when we look at schedule  
20 10.1.5 on page 4 of 6, and see the category finance and  
21 administration, even though the seven (7) line items that  
22 appear under that heading, appear to be the same as those  
23 that appeared under the finance and administration in the  
24 2003 and 2004 rate case, when you actually go beneath the  
25 line item one would find a greater degree of precision of

1 this -- this year and for the forecast years than Centra  
2 employed back in the 2003/2004 rate cases?

3                   Is that a correct understanding of your  
4 position?

5                   MR. DARREN RAINKIE: Sir, it's not that  
6 we changed the underlying detail, it's that you need to  
7 look at the detail to understand what we've done.

8                   If you look at the details for instance,  
9 one (1) of the costs that rolls up into the gas supply  
10 order is the very cost of administrating WTS. Why would  
11 we allocate any of those costs to the primary gas rate.

12                   So, what I'm saying is that when you look  
13 at the underlying details you get the picture of a proper  
14 allocation. If you just look at the top level, the very  
15 top label, if you like, Mr. Brown, you don't get a fair  
16 interpretation of that.

17                   And it's the details that are -- the  
18 devils in the details in this one, sir.

19                   MR. DAVID BROWN: Mr. Rainkie, I'm a  
20 simple guy so I'm just trying to ask some simple  
21 questions.

22                   When I'm reading the Board Order 118/03,  
23 it says track certain costs more precisely. And do I  
24 understand you to be saying that Centra, in fact, has  
25 done that, but, when you look at 10.1.5, you aren't going

1 to see that greater degree of precision.

2           You're going to have to look in the devil  
3 in the details.

4           And that's where you'll see the greater  
5 degree of precision and that's how Centra has responded  
6 and complied with the Board direction.

7           Do I understand that correctly?

8           MR. DARREN RAINKIE: That's correctly,  
9 sir. I don't think I guess our evidence wasn't clear  
10 enough to the Board when we came here in 2003/04. But, I  
11 think we were doing a precise tracking there and we're  
12 doing a precise tracking now.

13           It's just that you have to look at the  
14 details to understand how that works.

15           MR. DAVID BROWN: Do I also understand,  
16 sir, that you have not filed that precise tracking as  
17 part of the pre-filed evidence in support of your  
18 Application?

19

20   (BRIEF PAUSE)

21

22           MR. DARREN RAINKIE: No sir we haven't  
23 filed that level of detail.

24           MR. DAVID BROWN: When I had this -- when  
25 I was cross-examination you Ms. Derksen on this area back

1 in the 2003/2004 GRA, you were good enough to give an  
2 undertaking, it was Undertaking Number 40, that appeared  
3 at transcript page 1908. The answer to that undertaking  
4 was marked as Centra Exhibit 48 in that Proceeding. And  
5 the undertaking was:

6 "Please provide the document detailing  
7 the breakdown of allocation of gas  
8 procurement costs."

9 And you had a schedule attached to it.

10 Could I ask you in this Proceeding to give  
11 me an undertaking to provide a document detailing the  
12 more precise breakdown of the allocation of gas  
13 accounting and gas procurement costs, so that we can see  
14 where Centra has brought greater precision to the  
15 tracking of those costs. And if I could ask for an  
16 undertaking in respect of 2002 -- 2005/2006 test year,  
17 and the 2006/2007 test year please.

18 MS. KELLY DERKSEN: I have in  
19 anticipation of your questions, Mr. Brown. I have  
20 prepared that already. I've only prepared that for  
21 '05/'06, because the basis of allocations for '06/'07 is  
22 exactly the same, they are unchanged. The quantum of the  
23 costs may be slightly different, but the allocations  
24 themselves and where each of the costs ultimately flow  
25 through into the rates are unchanged. So I could

1 certainly provide that.

2 MR. DAVID BROWN: Well, I'm glad we're  
3 thinking along the same track. Are you able to provide  
4 that right now?

5 MS. KELLY DERKSEN: Sir, I only have a  
6 copy for myself, I haven't copied it for everyone else,  
7 so I -- I could endeavour to get that to you today.

8 MR. DAVID BROWN: Well, would it be  
9 possible, Ms. Derksen, to provide a copy to your Counsel,  
10 who can provide it to Board secretary, get it copied over  
11 lunch and then that would allow me an opportunity to ask  
12 any questions after the luncheon break on that document?

13 MS. MARLA MURPHY: We can have it  
14 available after lunch.

15  
16 --- UNDERTAKING NO. 39: CENTRA to provide  
17 Limited/Municipal Gas  
18 accounting and gas  
19 procurement tracking for  
20 2005/2006.

21  
22 MR. DAVID BROWN: Thank you, Ms. Murphy.

23  
24 CONTINUED BY MR. DAVID BROWN:

25 MR. DAVID BROWN: Ms. Derksen, with

1 respect to Schedule 10.1.5 for the 2005/2006 test year,  
2 which you'll find at Tab 8 of Exhibit 1, under the  
3 Finance and Admin -- Administration category, does Centra  
4 track any bad debt costs attributable to primary gas  
5 customers, in that category?

6           And if you don't track them there is there  
7 some other category on this schedule in which you track  
8 that item?

9           MS. KELLY DERKSEN: Mr. Brown, this bad  
10 debt is not tracked under the finance and admin portion  
11 of this particular schedule, it is tracked through  
12 component E, which is called Customer Service and  
13 Marketing. And I believe to my best knowledge, it would  
14 be tracked under billing inquiries and collections.

15           MR. DAVID BROWN: Thank you for that.  
16 And similarly, with respect to any costs related to  
17 credit and collection efforts attributable to primary gas  
18 customers, where would one find those costs recorded on  
19 Schedule 10.1.5?

20           MS. KELLY DERKSEN: Again, Mr. Brown, we  
21 don't specifically identify primary gas customers of  
22 Centra versus primary gas customers with brokers. We  
23 have one (1) collection department that does all, and the  
24 costs related to the collection department, I believe,  
25 again, is under billing inquiry and collections.

1                   MR. DAVID BROWN: Thank you for that. A  
2 third category of expenses, that is those relating to  
3 customer education, where on Schedule 10.1.5 are those  
4 recorded, Ms. Derksen?

5                   MS. KELLY DERKSEN: Typically costs  
6 related to customer education would be incorporated in --  
7 under customer relations, under customer service and  
8 marketing.

9                   MR. DAVID BROWN: Those costs we can find  
10 described on page 4 of 6 of Schedule 10.1.5; is that  
11 correct?

12                   MS. KELLY DERKSEN: Yes, sir.

13                   MR. DAVID BROWN: As well as back on page  
14 3 by the looks of it; right?

15                   MS. KELLY DERKSEN: Yes, there's --  
16 there's two (2) different pages because there's so many  
17 customer classes now, that we can't fit them all on one  
18 (1) page.

19                   MR. DAVID BROWN: And just dealing then  
20 with who pays -- or to which categories the customer  
21 education costs are allocated, do I read pages 3 and 4  
22 correctly, in that they show that those costs are  
23 allocated to and collected through the distribution  
24 rates, but no amount is allocated to or collected through  
25 the primary gas charge.

1                   Is that an accurate reading?

2                   MS. KELLY DERKSEN:   For the purposes of  
3 both the 2005 and 2006/07 test years, at the time this  
4 information was prepared, at the time the budgets were  
5 prepared, we didn't have any specific advertizing  
6 campaigns, if that's how you want to call them, with  
7 respect to primary gas and so therefore you don't see any  
8 costs in the -- in the primary gas function or in the  
9 primary gas class.

10                   If we were going to undergo an education  
11 campaign of some sort to educate our customers, it's  
12 likely that those costs would reside in the distribution  
13 rate, given that all customers would benefit from that  
14 education.

15                   So, but neither is the case this point  
16 because we haven't specifically budgeted for any type of  
17 campaign at this point.

18                   MR. DAVID BROWN:   Thank you for that,  
19 although I thought I heard either Mr. Kuczek or Mr.  
20 Warden yesterday make reference to a proposed education  
21 campaign that would be launched either this summer or in  
22 the fall.

23                   Are there no forecast costs in your budget  
24 for that campaign?

25                   MS. KELLY DERKSEN:   No, sir.  At the time

1 this was prepared, and keep in mind that this was  
2 prepared pretty much last summer, at that time we didn't  
3 have any specific plans for an education campaign.

4 Things have since changed and -- but that  
5 doesn't mean the dollars have changed and to the extent  
6 that we would incur those costs, they would not be  
7 recovered through rates, through the '05/'06 or through  
8 '06/'07 test years, because they haven't reached the  
9 budget and therefore they don't reach the rates.

10 MR. DAVID BROWN: But with respect, Ms.  
11 Derksen, the update that I'm looking at of Schedule  
12 10.1.5 is dated April 29, 2005. That's just a few weeks  
13 ago.

14 Are you saying that when you updated the  
15 information, you didn't include costs that you would now  
16 expect to spend in the summer and fall on a -- on an  
17 education campaign?

18 MS. KELLY DERKSEN: Mr. Brown, when we  
19 update our Application we typically only update for gas  
20 costs changes. Once the budget's set, it's set.

21 We don't, unless there is a material  
22 change, we don't change it so these budgets, this IFF was  
23 prepared last summer, last fall and it is what you see.

24 The gas costs certainly have changed and  
25 we have reflected that in the update, the April the 29th

1 update.

2 MR. VINCE WARDEN: We should, Mr. Brown,  
3 just clarify a little bit, though. We do set budgets  
4 with the expectations that they will be adhered to and  
5 even though the programs may not be specifically  
6 identified, there would be funds included in those  
7 budgets for education on a -- on a broad scale.

8 So I wouldn't expect the budgets would  
9 change in any significant way.

10 MR. DAVID BROWN: Would they be included  
11 in the budget a sort of a contingency, is that what  
12 you're saying?

13 MR. VINCE WARDEN: Well, as a -- you  
14 could call it that, but non -- it wouldn't be  
15 specifically identified with an education program but  
16 there would be sufficient funds in there to conduct a  
17 certain level of programming and we would still expect  
18 customer service and marketing to live within the budgets  
19 that have been provided for that, those fiscal years.

20 MR. DAVID BROWN: Am I correct, Ms.  
21 Derksen, that if and when money is spent, then, on an  
22 education campaign this summer or fall, those monies will  
23 be allocated to and collected through the distribution  
24 rates, that's the present intention of the Corporation?

25 MS. KELLY DERKSEN: I guess I'm a bit of

1 a purist, Mr. Brown. Those costs are not in the rates as  
2 they currently reside.

3 I have -- we have not budgeted  
4 specifically for an education campaign and therefore,  
5 from a very pure point of view, they will not hit rates  
6 and they will not hit distribution rates this upcoming  
7 summer, once the rates are established.

8 They are based on the budgets that were  
9 prepared last fall that do not include such a campaign.

10 MR. VINCE WARDEN: And, sorry, just --  
11 we're not disagreeing with one another here, we're just  
12 saying there are global budgets prepared which include  
13 non-specified items which Ms. Derksen uses for purposes  
14 of cost allocation.

15 So the budgets will not change with any  
16 education programs that are initiated in any material  
17 way. They'll still live within the -- the global budgets  
18 that have been prepared and approved by -- by Manitoba  
19 Hydro in the fall of last year.

20 MR. DAVID BROWN: Let me rephrase the  
21 question, then. If you do run an education campaign and  
22 if you do spend money this summer or fall, is it the  
23 present intention of the Corporation to ultimately  
24 collect those expenses through distribution rates --

25 MR. VINCE WARDEN: Yes.

1 MR. DAVID BROWN: -- at some point of  
2 time in the future?

3 MR. VINCE WARDEN: Absolutely.

4 MR. DAVID BROWN: There -- if -- if I can  
5 ask you, Ms. Derksen, or Mr. Warden, to turn with me in  
6 Direct Exhibit 2, which is Volume I of the Brief to Tab  
7 3, you'll see an extract from Board Order 131/04 from  
8 last fall.

9 And if you go with me -- that tab starts  
10 with section 18 of the Board's Order, but, if you go with  
11 me to page 85 of Board Order 131/04, the last paragraph  
12 there was an issue, as you recall surrounding last fall's  
13 education campaign that was addressed during that  
14 hearing.

15 And the Board said the Board will expect  
16 Centra to address the issue with respect to allocating  
17 public relations and advertising costs in the next GRA  
18 schedule to be filed later this year.

19 So here we are and how is Centra  
20 addressing the issue?

21

22 (BRIEF PAUSE)

23

24 MS. KELLY DERKSEN: I guess there's a  
25 couple of issues that we need to talk about first,

1 recognizing our previous conversation that we don't have  
2 specific costs related to advertising embedded in rates  
3 today. We haven't specifically addressed this concern as  
4 a result of that it because we don't have specific costs  
5 identified in our budget.

6 But, had we had specific customer costs  
7 related to an education campaign, we, as Mr. Warden said,  
8 we would propose to recover those through the  
9 distribution rates to be recovered by all customers and  
10 that's how we have intended on dealing with this  
11 directive.

12 MR. DAVID BROWN: Thank you for that Ms.  
13 Derksen. And perhaps that's a good segue into the second  
14 issues, which is the issue of customer education. Mr.  
15 Warden, Mr. Kuczek, these may be more in your areas.

16 But, as you have filed as Exhibit 21, I  
17 believe -- yes, Centra Exhibit 21, a document entitled,  
18 Consultation Results on Consumer Education dated May 30,  
19 2005 and if I could ask you to put that document in front  
20 of you, Mr. Warden, Mr. Kuczek and go with me to page 1  
21 of 2, Centra Consumer Education Report, when you get  
22 there let me know and I've got a few questions on that.

23  
24  
25

(BRIEF PAUSE)

1                   MR. LLOYD KUCZEK: Ours doesn't have page  
2 1 -- page 1 seems to be the title page in our case.

3                   MR. DAVID BROWN: I'm sorry, the document  
4 I have has as a second page to the document, one headed,  
5 Centra Consumer Education Report; that's the page I'm  
6 looking at.

7                   MR. LLOYD KUCZEK: Okay. That's page 2  
8 for us for some reason.

9                   MR. DAVID BROWN: Well, I'll just refer  
10 to the title of that page. But, on that page it's got  
11 the heading, Consultation Highlights, partway down; are  
12 we on the same page?

13                   MR. LLOYD KUCZEK: Correct.

14                   MR. DAVID BROWN: And do I correctly read  
15 point 3, as indicating that Centra's position is that it  
16 has the right to promote its primary natural gas product  
17 or any other product offered by the Corporation. I think  
18 that's the second little bullet point in Item Number 3?

19                   MR. LLOYD KUCZEK: Yes.

20                   MR. DAVID BROWN: And this document  
21 reflects a philosophical difference, if I can call it  
22 that, or a business difference as between the Utility and  
23 marketers as to something called customer education and  
24 something called promotion, correct? They're birds of a  
25 different feather apparently.

1                   MR. LLOYD KUCZEK: I agree we are birds of  
2 a different feather, yes.

3                   MR. DAVID BROWN: And the Utility  
4 distinguishes customer education from product promotion,  
5 correct?

6                   MR. LLOYD KUCZEK: We had those  
7 discussions with our consultations with the brokers and  
8 CAC/MSOS and there is a distinction, yes.

9                   MR. DAVID BROWN: Right. And you say in  
10 this Exhibit 29, that the Utility has the right to  
11 promote its gas products, correct?

12                  MR. LLOYD KUCZEK: That's our position,  
13 yes.

14                  MR. DAVID BROWN: Well, I guess I got a  
15 few questions flowing from that.

16                  The first sort of going back to the  
17 questions I had of Ms. Derksen: If Centra runs a  
18 promotion campaign, not a customer education campaign,  
19 but, a promotion campaign, what is the intention of the  
20 Utility as to how it will allocate and recover those  
21 costs?

22                  Does the Utility intend to allocate and  
23 recover those costs through distribution rates or does it  
24 intend to allocate and recover such promotional costs  
25 through the primary gas rate?

1 MS. KELLY DERKSEN: Mr. Brown, I -- I  
2 know we've been referring a lot to Order 19/00, and  
3 perhaps it's an indication that we need to refresh our  
4 memories about some of the things that happened way back  
5 when.

6 But, in that Order, the Board encouraged  
7 both Centra and the brokers to provide information to  
8 advertise their -- their product, and there are specific  
9 words in the Board's direction that encourages Centra to  
10 advertise its product, and in the same token that those  
11 costs be recovered through the distribution rate, so our  
12 proposal or our position would be to recover all costs  
13 related to providing both primary gas service, and WTS  
14 service, through the distribution rate.

15 No different than, for example, as you and  
16 I have talked about this morning, bad debt expense. Bad  
17 debt expense is recovered through the distribution rate  
18 from all customers. We don't incrementally charge the  
19 brokers on account of customers who go delinquent.

20 And so we have to remember that the grass  
21 routes of why we are where we are, and we are there  
22 because we decided and everyone agreed, that the benefits  
23 of WTS were to provide choice to all customers. So  
24 everyone should pay for those costs.

25 And so we could go line by line and say,

1 what's in the primary gas rate, what shouldn't be in the  
2 primary gas rate. But that's not the decisions that were  
3 made through the WTS Application, and so that's our  
4 position today.

5 MR. VINCE WARDEN: And maybe perhaps I  
6 can just elaborate a little bit on that, Mr. Brown. And  
7 certainly Ms. Derksen has indicated what our position has  
8 been to this date. What we were, I think, referring to  
9 in this consultation document was in the event that  
10 Centra chose to promote its primary gas product, then it  
11 would be appropriate to include such costs in the -- in  
12 the primary gas rate, or perhaps we should be considering  
13 including those promotion costs in the primary gas rate.

14 To date though, to be clear, we have -- we  
15 do not consider anything we've done to date to be  
16 promotion. It's -- a customer comes under the heading of  
17 customer information or customer infor -- education if  
18 you like.

19 There's been no promotion of our product.  
20 If we were to get into the world of MSO, Multiple Service  
21 Offerings, whereby we had more than one (1) product in  
22 which we were promoting that product in direct  
23 competition with brokers, then it would only be  
24 appropriate that those costs be recovered through the  
25 primary gas rate.

1                   So, we -- we were talking here about just  
2 asserting our right to -- to promote, but we have not  
3 conducted any promotion to this date.

4                   MR. DAVID BROWN:   Well, I don't intend to  
5 rehash hockey helmets and hockey gloves and what  
6 constitutes what.

7                   MR. VINCE WARDEN:   Good.

8                   MR. DAVID BROWN:   But I simply do want  
9 to make sure the -- the answer is clear.  If Centra  
10 promotes either its primary gas variable product, which  
11 you have now, which is adjusted quarterly, or if Centra  
12 promotes some other primary gas related product that you  
13 may introduce in the future.

14                   Do I understand correctly that it's the  
15 present intention of the Corporation in both cases to  
16 recover such promotional costs through the primary gas  
17 rate and not through the distribution rate?

18                   MR. VINCE WARDEN:   Again, to be clear,  
19 Mr. Brown, this was a discussion document, and I would  
20 not say that we have a definitive corporate position on  
21 that, but that was the intent of the parties to this  
22 discussion, that should it occur that someday we are  
23 promoting our product, that it would be appropriate to  
24 recover those costs through the -- the primary gas rate.

25                   MR. DAVID BROWN:   Thank you for that

1 clarification, Mr. -- Mr. Warden. Could Mr. Warden --  
2 or, Mr. Kuczek, could I ask you to turn to your prefiled  
3 evidence, in particular Tab 1, attachment number 3, which  
4 is a document entitled, The Corporate Strategic Plan,  
5 2004/2005. It's a little blue book or blue brochure.

6 MR. LLOYD KUCZEK: Okay.

7  
8 (BRIEF PAUSE)

9  
10 MR. DAVID BROWN: Have you got that, sir?

11 MR. VINCE WARDEN: Yes, we have it here.

12 MR. DAVID BROWN: It was a loose  
13 attachment under Tab 1.

14  
15 (BRIEF PAUSE)

16  
17 MR. DAVID BROWN: It -- if I could ask  
18 you in that document, sir, to turn with me please to page  
19 4, and I take it this document, as it states on its first  
20 page, sets out Manitoba's hydro -- Manitoba Hydro's  
21 vision of the future?

22 MR. VINCE WARDEN: It does.

23 MR. DAVID BROWN: This is where you'd  
24 like the Corporation to go?

25 MR. VINCE WARDEN: Indeed.

1 MR. DAVID BROWN: And if you go with me  
2 on page 4 of that document, the heading is, "Provide  
3 customers with exceptional value," and there's a chart  
4 underneath that where you've got, "measure target and  
5 strategies" and the -- the last measure relates to  
6 natural gas market share and the target is 100 percent of  
7 new franchises, 60 percent of commodity sales by 2005.

8 Do I read that correctly, that Manitoba  
9 Hydro and Centra has set a corporate target that by 2005,  
10 they will have 60 percent of the natural gas commodity  
11 market -- commodity sales market?

12 MR. VINCE WARDEN: Yes, that's a correct  
13 interpretation of that target, Mr. Brown.

14 MR. DAVID BROWN: Could I ask you, sort  
15 of holding on to that, to turn with me back in Direct  
16 Exhibit 2 to Tab number 3, which again is from Board  
17 Order 131/04 and if you could turn with me to the last  
18 page of that Tab, page 85.

19

20 (BRIEF PAUSE)

21

22 MR. DAVID BROWN: Have you got that, sir?

23 MR. VINCE WARDEN: Yes, we do.

24 MR. DAVID BROWN: And you'll see in the  
25 second sentence on that page the Board wrote:

1 "Centra should have no financial  
2 interest in the gas supply choice made  
3 by consumers."

4 I take it Centra agrees with that  
5 position?

6 MR. VINCE WARDEN: We do.

7 MR. DAVID BROWN: If you agree with that  
8 position, could you explain to me why, as part of the  
9 Corporation's strategy, one of your targets is to  
10 increase natural gas market share?

11 Isn't that kind of corporate strategy  
12 inconsistent with being financially indifferent to volume  
13 of gas sales?

14 MR. VINCE WARDEN: Well, I think if you  
15 refer to the accompanying graph on page 5, you'll see  
16 that in 03/04 we were, in fact, above 60 percent.

17 So the goal is not increase market share  
18 but to maintain market share and I think the -- well, our  
19 thinking in that is that it provides the corporation with  
20 an indication of how well we're doing in terms of  
21 offering an alternative to customers, that is through our  
22 -- our hedging, storage, quarterly rate methodology.

23 Is that working for the customer? And if  
24 we start seeing a dip in -- in market share, then perhaps  
25 it -- we're not meeting the expectations of the customer

1 in terms of providing a floating rate option.

2           We have to -- we'd have to consider other  
3 -- other alternatives. So it's only an indicator for us,  
4 but we're not trying to increase market share, we're just  
5 maintaining what we have.

6           MR. DAVID BROWN: Could I ask you to go  
7 back with me to Centra Exhibit 21, which is this consumer  
8 education document, and turn with me to, I guess it's the  
9 third page into the document. It's the second page of  
10 the Centra consumer education report.

11           And you'll see at the top of that page  
12 there are two (2) little bullet points. I've already  
13 taken you to the first one, dealing with the utility's  
14 view that it has the right to promote the product.

15           But if you could look with me at the  
16 second one, the bullet reads:

17                   "The primary natural gas product  
18                   currently offered by Centra is off --  
19                   is also a default product which will be  
20                   provided to those customers not  
21                   choosing a specific primary gas  
22                   product."

23           Do -- do I read that sentence correctly,  
24 that Centra views itself as a default supplier of primary  
25 gas and not as a competitor with brokers in the sale of

1 primary gas?

2 MR. LLOYD KUCZEK: I think I can answer  
3 that. There's customers out there that actually have the  
4 -- that are knowledgeable and they make a conscious  
5 decision to go with Manitoba Hydro or Centra Gas in this  
6 case, to purchase the commodity that we offer.

7 There are other customers that make a  
8 conscious decision to go with a broker. And there are  
9 other customers that just don't make a decision and  
10 that's this category here.

11 MR. DAVID BROWN: On that point, Mr.  
12 Kuczek, perhaps you could turn with me in Direct Exhibit  
13 2, to Tab 7. I've extracted there portions of the  
14 Ontario Energy Board natural gas regulation in Ontario, a  
15 report dated March 30, 2005. It's at Tab 7.

16 And if --

17 MR. VINCE WARDEN: We have it here.

18 MR. DAVID BROWN: And if you could go  
19 with me please, to page 62 of that. I take it that  
20 Centra has generally followed what has been called the  
21 natural gas forum down in Ontario?

22 MR. VINCE WARDEN: Yes, we've generally  
23 followed that.

24 MR. DAVID BROWN: And if you go with me  
25 to the bottom of page 62, you'll see the last paragraph

1 is in bold, it's one of the Board's findings and it  
2 starts off by reading:

3 "The Board concludes that the Utility  
4 should continue to provide a regulated  
5 gas supply option. However, the  
6 regulated gas supply option should be  
7 seen as a default supply option and  
8 structured accordingly."

9 As a matter of business philosophy, does  
10 Centra adhere to the view that the regulated gas supply  
11 option should be seen as a default supply option and  
12 structured accordingly?

13 MR. VINCE WARDEN: Well, we've always  
14 considered ourselves to be the supplier of last resort,  
15 so to speak. That in the event of a default by any  
16 broker that's Centra, the company would supply that  
17 product.

18 MR. DAVID BROWN: Well, going to the next  
19 page, page 63, which brings me back into this whole issue  
20 of education and promotion, you'll see at the top of the  
21 page the Ontario Energy Board wrote:

22 "Also the Board does not believe it is  
23 appropriate for the Utilities to  
24 promote and or to market the regulated  
25 gas supply option to their customers.

1                   The Board does believe, however, that  
2                   it is appropriate to inform customers  
3                   of the terms and conditions related to  
4                   the regulated gas supply option and in  
5                   particular of their unilateral right to  
6                   switch to a competitive supplier."

7                   Does Centra, as a corporation, subscribe  
8 to the view that's expressed there by the Ontario Energy  
9 Board?

10                   MR. LLOYD KUCZEK:   Generally speaking  
11 we're driven by what we think is in the best interest of  
12 our customers.  So what the Ontario Energy Board is --  
13 has made some decisions on what it thinks is best in the  
14 market place in Ontario, and those decisions are outlined  
15 in this report.

16                   And as I mentioned in the -- well, I guess  
17 it's in the discussion paper on the multiple service  
18 offerings that they're guided by two (2) principles,  
19 legislative objectives, one (1) of those being to  
20 facilitate competition for the sale of gas.

21                   And the other is to protect the interest  
22 of consumers with respect to price reliability and  
23 quality of service.  And under those conditions that's  
24 their view and that's how it is documented in the report.

25                   MR. DAVID BROWN:   Well, I think Mr.

1 Kuczek and Mr. Warden, earlier in your evidence this  
2 morning, you reiterated that Centra does view that it has  
3 the right to promote its primary gas products.

4           So do I take it from that position that  
5 the Corporation doesn't subscribe to the views expressed  
6 by the Ontario Energy Board with respect to promotion  
7 versus education and the appropriate role of the Utility?

8           MR. VINCE WARDEN: Mr. Brown, I think our  
9 discussion earlier, we were asserting that right and to  
10 be clear, we have not promoted it to date.

11           What we do in the future it will be a  
12 matter of corporate approved direction, which will be  
13 brought back to this forum before we proceed.

14           MR. DAVID BROWN: I think Mr. Warden, in  
15 response to some questions yesterday by Board Counsel,  
16 you indicated that the Company and the brokers had worked  
17 out a protocol by which to review in advance proposed  
18 education efforts by the Utility.

19           And am I correct that we can find that  
20 protocol in Exhibit 21, Appendix B, which is entitled,  
21 Consultation Process?

22           MR. LLOYD KUCZEK: Correct.

23           MR. DAVID BROWN: And so this primary gas  
24 educational initiative protocol will be in place the next  
25 time that Centra proposes to conduct an educational

1 campaign, correct?

2 MR. LLOYD KUCZEK: Yes.

3 MR. DAVID BROWN: Does Centra intend this  
4 protocol to apply also to any promotional campaigns or  
5 initiatives that it may undertake in the future?

6 MR. LLOYD KUCZEK: We haven't made any  
7 decisions to undertake any promotional efforts at this  
8 point. But in general, I would think not.

9 MR. DAVID BROWN: Why would you say that,  
10 sir?

11 MR. LLOYD KUCZEK: If we were -- this  
12 protocol I think makes sense in terms of providing -- the  
13 objective of this process is to try to come up with some  
14 education that -- or education materials so that we can  
15 educate the consumers on the primary gas market.

16 And the discussions up to now were the --  
17 some of the barriers that have resulted, is because of  
18 the disagreement that we have between the parties, the  
19 different feathers that you wear and I wear. So we think  
20 it's important that we must proceed and educate the  
21 consumers, and so with that intent this makes sense.

22 If we were promoting our product, not to  
23 say that we are going to, but if we were to do that, I  
24 don't think it makes sense to consult with the broker  
25 community to do that.

1                   MR. DAVID BROWN:    Has Centra formulated  
2 any sort of internal criteria by which it would  
3 distinguish educational materials from promotional  
4 materials; that is to say, that if one (1) of your  
5 customers gets a piece of paper in the mail from Centra,  
6 have you determined what features on that piece of paper  
7 would put it into the educational camp, or what features  
8 on that paper would put it into the promotional camp.  
9 Have you come up with that kind of bright line test yet?

10                  MR. LLOYD KUCZEK:    I think in the  
11 discussion paper, or -- yeah, discussion paper that we  
12 submitted, I thought we had in there some guidelines that  
13 we thought were appropriate, and that would be that you  
14 would provide customers with unbiased information, and  
15 with information of all products available, if it was  
16 educational.

17                  MR. DAVID BROWN:    And if it was  
18 promotional, had you come up with any express criteria as  
19 to what would characterize a document as promotional?

20                  MR. LLOYD KUCZEK:    No, we haven't. We  
21 haven't even considered undertaking promotional -- or  
22 promotional campaign at this point.

23                  MR. DAVID BROWN:    If I could turn then to  
24 the third area, which is the integrated or the single  
25 bill, and I don't know, Mr. Warden, perhaps you're the

1 best person for me to ask these questions to, or -- or  
2 Mr. Kuczek.

3           Starting at the level of some general  
4 principles, would you agree with me that billing is an  
5 integral utility activity, and it's integral because it  
6 enables the utility to provide its regulated services?

7           MR. VINCE WARDEN: Yes, I would agree  
8 that it's an integral activity of -- of the Corporation.

9           MR. DAVID BROWN: And I -- I take it you  
10 agree with that proposition because if you don't get paid  
11 for the services you provide you're out of business  
12 pretty quickly.

13           MR. VINCE WARDEN: That's one (1) of the  
14 reasons, yes.

15           MR. DAVID BROWN: Would you also agree  
16 with me, sir, that the bill to the consumer provides a  
17 very good opportunity or -- or vehicle by which to  
18 educate consumers about gas supply and delivery matters.

19           MR. VINCE WARDEN: I agree with that as  
20 well.

21           MR. DAVID BROWN: Would you also agree  
22 with me as a matter of general proposition, that a strong  
23 link exists between the design and content of a bill, and  
24 its efficacy or effectiveness in educating the consumer?

25           That is to say a poorly designed bill may

1 not really get you very far in educating the consumer,  
2 but a well designed bill may well get you some where in  
3 educating a consumer?

4 MR. VINCE WARDEN: I really don't have  
5 any data to support that assertion. That would seem to  
6 make common sense, but I -- I'm not sure that there's any  
7 empirical evidence that would support that.

8 MR. DAVID BROWN: A few technical  
9 questions with respect to the transition from your  
10 current billing for gas and electricity and the unified  
11 bill.

12 The first is that if the current account  
13 holder on the gas and electricity bills differ, one's in  
14 the husband's name and the other is in the -- the wife's  
15 name, when you integrate the bill, whose name will appear  
16 on the bill?

17 MR. VINCE WARDEN: We've left that up to  
18 the customer pretty much. So in that circumstance that  
19 you've described, we've -- we've sent out mailings to  
20 that household and -- and asked them to identify which --  
21 what their preference would be and so far we've got a  
22 pretty good response rate on that solicitation.

23 MR. DAVID BROWN: Under those  
24 circumstances, Mr. Warden, if -- if you could assume with  
25 me that the -- the two (2) bills are in different names,

1 and the -- the customers elect to have the unified bill  
2 in the name that appears on the electricity bill, rather  
3 than the name that appears on the gas bill, but that  
4 particular household has a contract with a broker.

5           What is the Utility's view as to what will  
6 happen when the integrated bill comes into effect?

7           Will the utility be taking the position  
8 that since the integrated bill will now be in a different  
9 name than the gas bill, that the validity of the broker  
10 contract will be effected, or is the utility taking the  
11 position that there won't be any effect on the validity  
12 of the broker contract?

13           MR. VINCE WARDEN: Our position at this  
14 point is that there would be no effect on the contract  
15 between the broker and the customer.

16           MR. DAVID BROWN: Another technical kind  
17 of question, Mr. Warden. I understand from -- from my  
18 client that there are a number of gas customers out  
19 there, and perhaps electricity customers, where there's  
20 been a household, husband and wife.

21           One of the two (2) passes away, that  
22 person, the deceased, was the -- the account holder but  
23 the survivor never bothered to get around to changing the  
24 name of the account holder and the services have  
25 continued.



1 continues to be paid, then -- then I don't think we would  
2 necessarily have a concern.

3 MR. DAVID BROWN: If I could turn, sir,  
4 to the actual proposed integrated bill. I think, as part  
5 of the pre-filed evidence at Tab 13, in one of the  
6 updates, you've filed the most current mock up of the  
7 bill and if I could ask you to -- to turn to that,  
8 please.

9

10 (BRIEF PAUSE)

11

12 MR. DAVID BROWN: I think for the record  
13 it's styled as Tab 13, attachment 3. There's a section  
14 marked, "new bill format status." There was an update of  
15 May 6th, 2005.

16

17 (BRIEF PAUSE)

18

19 MR. DAVID BROWN: I think it appeared  
20 after the disconnection. I've got a -- Ms. Murphy's Tab  
21 13, attachment 3, section 4 of 5, page 1 of 2, May 6th,  
22 2005 as the beginning of the second...

23

24 (BRIEF PAUSE)

25

1 MS. MARLA MURPHY: We have it, thanks.

2 MR. DAVID BROWN: Thank you very much.

3 If you could turn two (2) pages in, I believe there is  
4 the first page of the proposed bill format and simply  
5 want to confirm with you, Mr. Warden, that a bill to an  
6 account holder who purchases their gas from a broker will  
7 receive a bill which identifies the name of the broker in  
8 three (3) cases and if -- in three (3) areas.

9 And if we look at the bill, on the first  
10 page under the heading, "customer enquiries," on the  
11 line, "primary gas ABC gas," that's where you intend to  
12 identify the broker; is that correct?

13

14 (BRIEF PAUSE)

15

16 MR. VINCE WARDEN: That's correct.

17 MR. DAVID BROWN: If you could turn with  
18 me to the second page of the bill. There are two  
19 sections, there's an electricity section and there's a  
20 natural gas section. And underneath the natural gas box  
21 the second line is primary gas. And do I understand the  
22 bill format to be such that if the customer is on WTS the  
23 name of the broker will appear at that line?

24 MR. VINCE WARDEN: That's correct.

25 MR. DAVID BROWN: And then finally the

1 third place will be right at the bottom of that page  
2 where it says, your primary gas is supplied by ABC Gas;  
3 is that correct?

4 MR. VINCE WARDEN: Correct.

5 MR. DAVID BROWN: Now, in your evidence  
6 you -- in your written evidence here, you summarize the  
7 discussions that you had with the brokers and as I  
8 understand it the brokers were asking for a number of  
9 things, including placement of their name on the bill,  
10 ability to put their logo on the bill, and ability to  
11 have a broker message line on the bill.

12 And the format that you have -- that the  
13 utility has decided to adopt will have the broker's name,  
14 but, will not allow for a logo or message line. And as I  
15 understood your evidence from yesterday, Mr. Warden, I  
16 think I noted you as saying that the addition of the  
17 broker logo or message, would cause confusion about who  
18 was providing services.

19 Is that the rationale for Centra declining  
20 to enable a broker to put a logo or message line on this  
21 new integrated bill?

22 MR. VINCE WARDEN: Yes, Mr. Brown, as you  
23 can see the bill is already quite busy and Manitoba Hydro  
24 is the provider, of course, of electricity service and  
25 the distribution service in all cases for the gas.



1 that one more time, for some reasons I'm day dreamed a  
2 bit there, I'm not sure why.

3 MR. DAVID BROWN: I take no personal  
4 offence, I'll raise my voice, I'll dance whatever to get  
5 your attention, Mr Kuczek.

6 Your 2004 market survey indicated that 41  
7 percent of WTS customers did not -- surveyed did not  
8 appreciate that they were supplied by a broker.

9 And my simple proposition is, wouldn't  
10 Centra agree that it would be a good thing if that 41  
11 percent number could be significantly reduced so, at the  
12 end of a day, most of the customers or all of the  
13 customers who are out there using WTS know that they're  
14 on WTS, that would be a good result of consumer  
15 education, would it not?

16 MR. LLOYD KUCZEK: Yes, I agree with that.

17 MR. DAVID BROWN: And if you go back to  
18 your bill, I'm going to suggest to you when you look at  
19 the bottom of the second page where it has that line,  
20 your primary gas is supplied by ABC Gas, wouldn't it be a  
21 good customer education technique to put the broker's  
22 logo there so it reinforces the message that this  
23 customer is buying their primary gas from a broker.

24 Wouldn't that be a move in the right  
25 direction, in terms of customer education?



1   nominality of the costs, Centra, as a matter of corporate  
2   policy, is not prepared to allow brokers even to pay to  
3   put their logo or message line on the bill; is that sort  
4   of the Corporation's bottom line?

5                   MR. VINCE WARDEN:   That would be our  
6   position, yes.

7                   MR. DAVID BROWN:   If I could turn then to  
8   the final area of questioning, which is on the discussion  
9   paper on the fixed price option, which I think got marked  
10  as Exhibit 9 in this Proceeding.

11                   And just bear with me a second please.

12  
13  
14

(BRIEF PAUSE)

15                   MR. DAVID BROWN:   Mr. Kuczek, I  
16  understand you're responsible for this, so perhaps by way  
17  of background some initial points of clarification.

18                   As I hear Centra's evidence in this  
19  Proceeding, Centra is not making any recommendation  
20  regarding a fixed price offering, nor is it seeking any  
21  approval in this Proceeding, to enable it to make a fixed  
22  price offering; correct?

23                   MR. LLOYD KUCZEK:   Correct.  We -- we  
24  struggled getting it into the Proceedings, so we were  
25  happy that we at least got to that point.

1                   MR. VINCE WARDEN:  Would you also agree  
2 with me that before -- if you do make a corporate  
3 decision to implement a fixed price product, that before  
4 doing so, there will be a full review of Centra's  
5 proposal before this Board, and Intervenors would have  
6 the ability to file evidence in -- in that Proceeding?

7                   MR. VINCE WARDEN:  That of course would  
8 be up to the Public Utilities Board, but given that --  
9 that past practice, I would expect that would be the  
10 case, yes.

11                  MR. DAVID BROWN:  Right.  If you decide  
12 that you want to implement this, you aren't going to seek  
13 an ex parte application for approval, it would be on  
14 notice to everyone else, would it not?

15                  MS. MARLA MURPHY:  Mr. Brown, how we  
16 might decide to file an application would of course  
17 depend on the circumstances at the time.

18                  MR. DAVID BROWN:  Very well.  And I -- I  
19 guess my final general question, Mr. Kuczek, is there is  
20 some reference in your Exhibit number 9, to some  
21 potential impact on the competitive nature of the market  
22 in Manitoba, should the utility offer a fixed price  
23 offering.

24                         And in light of that, would Centra agree  
25 that, before it applies for the approval of any fixed

1 price offering, this Board should conduct a review of the  
2 competitive state of the primary gas retail market in  
3 Manitoba?

4 MR. LLOYD KUCZEK: I think that's the  
5 Board's decision actually.

6 MR. DAVID BROWN: Well I'm asking for  
7 what the -- the corporate position is, the Board will  
8 make up its mind based upon whatever is before it, but  
9 I'm just asking what Centra's view is?

10 MR. LLOYD KUCZEK: I'll ask you to repeat  
11 it again because I think Mr. Warden should answer that,  
12 if it's a corporate position.

13 MR. DAVID BROWN: In Exhibit 9, there's  
14 some reference to a potential impact of the utility  
15 offering a fixed price option on the competitive market  
16 in -- in Manitoba.

17 And my simple question was: Would Centra  
18 agree as a matter of corporate policy, that in light of  
19 that potential, it would be best for the Board to review  
20 the competitive state of the market in Manitoba, before  
21 the utility approaches the Board to ask to -- permission  
22 to offer a fixed price offering?

23 MR. VINCE WARDEN: I think you -- your  
24 question was, would it be best for the Board to consider  
25 the -- I think you meant Centra, did you, in your

1 question?

2 MR. DAVID BROWN: No, I think the Board  
3 will consider the state of the market. My proposition to  
4 you is that you've identified, I think, as one of the  
5 potential disadvantages, that there might be some impact,  
6 some unknown impact on the competitive market in Manitoba  
7 should a fixed price offering be introduced by the  
8 utility; correct?

9 MR. VINCE WARDEN: Correct.

10 MR. DAVID BROWN: And my question to you  
11 simply is that, in light of that potential, would you  
12 agree that it would be best or most prudent for the Board  
13 to consider the state of the competitive retail market in  
14 Manitoba, before considering any application by Centra  
15 for approval of a fixed price product?

16 MR. VINCE WARDEN: I'm not sure I would  
17 agree with that, Mr. Brown. I think the Board, or at  
18 least the way I would see it evolving, is that Centra  
19 would make an Application to the Board and the Board  
20 would consider the merits of that Application.

21 So I don't think the initiative should  
22 come from the Board, but again, that's a personal view.

23 MR. DAVID BROWN: Mr. Warden, could I ask  
24 you or Mr. Kuczek to turn with me in Direct Exhibit 3  
25 which is Volume II of the cross-examination brief, to Tab

1 1.

2                   At Tab 1, I've reproduced part of Board  
3 Order 15/98 which was the result of the generic hearing  
4 that in the mid-1990's and in section 8 in the Board  
5 findings, if you could turn with me to page 67 you'll see  
6 down in the -- the bottom paragraph, I've sort of  
7 highlighted it on the side, and in this portion of the  
8 Board's Decision, the Board was considering the -- the  
9 possibility of the utility offering a fixed price  
10 product.

11                   And you'll see in the second line in that  
12 last paragraph the Board said:

13                   "The Board is of the belief that the  
14 variety of service offerings by the  
15 utility could be an impediment in the  
16 development of the competitive retail  
17 market of natural gas.

18                   At the same time, the existence of a  
19 regulated merchant function with one  
20 service offering will do little to  
21 impede the development of the  
22 competitive retail market.

23                   This regulated commodity gas price  
24 could not only serve as a benchmark  
25 price against which ABM's must compete

1 for customers, but could also serve as  
2 a basis for enhanced price transparency  
3 which is necessary for enhanced  
4 competition.

5 As a consequence, the Board will  
6 require Centra to maintain the status  
7 quo in offering only a single regulated  
8 gas supply option and price.

9 Customers will be able to choose  
10 between this offering and what the  
11 ABM's offer."

12 You -- you rec -- does Centra recognize  
13 that should it come before the Board to ask permission to  
14 offer a fixed price product, that it would effectively be  
15 asking the Board to alter the policy decision it made  
16 back in 1998 in Board Order 15/98?

17 MR. VINCE WARDEN: Well, as a matter of  
18 fact, Mr. Brown, you have reminded me that in a  
19 subsequent proceeding, and we can get the reference for  
20 you if you like, but as a matter of fact the Board  
21 invited us to apply for a multiple service offering which  
22 we, to date, chose not to do.

23 But there was an invitation by the Board  
24 to do just that.

25 MR. DAVID BROWN: Well, perhaps you could

1 get that reference so we could put that on the record?

2 MR. VINCE WARDEN: Yes, we'll do that.

3

4 --- UNDERTAKING NO. 40: CENTRA to provide to  
5 Limited/Municipal reference  
6 of the fact the Board invited  
7 CENTRA to apply for a  
8 multiple service offering.

9

10 CONTINUED BY MR. DAVID BROWN: MR.

11 DAVID BROWN: Great. In terms of the current status of  
12 the competitive environment in which this discussion  
13 paper should be considered, could I ask you to turn to  
14 Tab 2 in Direct Exhibit 3.

15

16 (BRIEF PAUSE)

17

18 MR. DAVID BROWN: And there is a schedule  
19 to this PUB/CENTRA Interrogatory 27(C) on the last page  
20 and do I read it correctly that what you're doing on the  
21 schedule is indicating the number of WTS customers in  
22 Manitoba from fiscal 2002/2003 through to December of  
23 2004 when you've got the last statistics?

24 MR. VINCE WARDEN: That appears correct,

25 yes.

1                   MR. DAVID BROWN:   And in terms of a  
2 direction or a trend, the number of WTS customers has  
3 increased over that period of time, part of which is  
4 probably due to the phase out of buy/sell?

5                   MR. VINCE WARDEN:   The trend has  
6 increased. I'm not sure why it's going up. It's a  
7 combination of that and, I guess, your marketing efforts,  
8 I would suspect.

9                   MR. DAVID BROWN:   If you could turn with  
10 me to the next tab, Tab 3 of Direct Exhibit 3, which is  
11 PUB/CENTRA-29(B).

12                   At page 2 of that Interrogatory response,  
13 you've set out information about migration of customers  
14 from System to WTS or from WTS to System for the period  
15 November 1, 2003 to February 1 of 2005.

16                   And am I correct that for the years  
17 2003/2004 and 2004/2005, there had been or you are  
18 projecting a net migration of customers from System to  
19 WTS?

20                   MR. LLOYD KUCZEK:   I believe this is  
21 historical information and not a forecast. You mentioned  
22 projecting, but, I think this is just stating what the  
23 facts were.

24                   MR. DAVID BROWN:   So if we look at the  
25 2003/2004 gas year there was a net migration from System

1 to WTS of about sixty-five hundred (6500) customers,  
2 correct, fourteen thousand (14,000) less seventy-five  
3 hundred (7500)?

4 MR. LLOYD KUCZEK: Yes.

5 MR. DAVID BROWN: And similarly for the  
6 two (2) periods in 2004/2005 there's a net migration of  
7 about four thousand (4000) customers from system to WTS,  
8 correct?

9 MR. LLOYD KUCZEK: Correct.

10 MR. DAVID BROWN: And if you could go  
11 with me to Tab 4 in Direct Exhibit 3, which is  
12 PUB/CENTRA-25, where you're doing a bit of forecasting,  
13 if you turn to the first -- or the second page of the IR  
14 which is a table, do I read it correctly that you are  
15 forecasting some increase in the SGS residential  
16 customers who are on WTS service?

17 MR. LLOYD KUCZEK: I think the forecast  
18 was based on the current information that was available  
19 at the time the forecast was made. So I don't think it  
20 was forecasting an increase it was just forecasting what  
21 the number was there at that point, but I could be wrong.  
22 But that was my understanding.

23 MR. DAVID BROWN: Well the differentials  
24 aren't very big, but you seem to be going from a  
25 2004/2005 forecast of forty-two thousand seven forty one

1 (42,741) to forty-three thousand two thousand and two  
2 (43,202) in 2006/2007, correct?

3 MR. LLOYD KUCZEK: Yeah, I assume that's  
4 because that's the population is growing. But the  
5 percentage that was used I think was the same.

6 MR. DAVID BROWN: Mr. Kuczek, would you  
7 agree with me that these migration numbers that we just  
8 looked at and which are found in some of the IR  
9 responses, indicates that customers in Manitoba are  
10 responding to choices available to them, in terms of the  
11 supply of their primary gas?

12 MR. LLOYD KUCZEK: We recognize that  
13 customers are signing up for fixed term products offered  
14 by brokers, but, we haven't figured out why they are and  
15 where it's going into the future.

16 MR. DAVID BROWN: The other thing,  
17 however, that you would agree with me is that, not only  
18 in terms of the number of customers migrating from System  
19 to WTS, over the course of the last twelve (12) to  
20 eighteen (18) months, there has been a new retail broker  
21 that has entered the residential market in Manitoba, that  
22 is to say, Manitoba Energy Savings Group -- Energy  
23 Savings Manitoba Corporation?

24 MR. LLOYD KUCZEK: Yes, we realize  
25 they're here.

1 MR. DAVID BROWN: So customers now have  
2 more retail choice from brokers than they did twelve (12)  
3 to eighteen (18) months ago; correct?

4 MR. LLOYD KUCZEK: They have a choice  
5 between two (2) brokers, yes.

6 MR. DAVID BROWN: If I could ask you to  
7 go to Volume I of my brief, that is Direct Exhibit 2, I'd  
8 like to go back for a moment to the Ontario Energy Board  
9 and Natural Gas Forum Report, you can find it at Tab 7.

10 And if you could turn with me at Tab 7 to  
11 page 70, please.

12  
13 (BRIEF PAUSE)

14  
15 MR. DAVID BROWN: Towards the bottom of  
16 page 70 there's a heading, long term supply and  
17 transportation contracts?

18 MR. VINCE WARDEN: We have it here.

19 MR. DAVID BROWN: The section just above  
20 that heading deals with this issue of fixed term, fixed  
21 price products. And you'll see at the end of the Board's  
22 discussion in bold it wrote:

23 "The Board believes that a Utility  
24 provided fixed term, fixed price  
25 contract offer is inappropriate at this

1 time."

2 I take it you were aware of that  
3 conclusion by the Ontario Energy Board?

4 MR. LLOYD KUCZEK: Yes, that was their  
5 conclusion.

6 MR. DAVID BROWN: And if you go back up  
7 with me into the text, the Board -- the Ontario Board  
8 identified some reasons why it reached that conclusion.  
9 And about mid-way through the paragraph it wrote:

10 "The Board believes that introducing a  
11 Utility provided fixed term, fixed  
12 price contract offer at this time would  
13 present two (2) risks. First, the  
14 fixed price term aspect could reduce  
15 the utilities ability to  
16 ensure full customer mobility."

17 Just stopping there, is that -- does  
18 Centra agree that that is a possible risk of the utility  
19 introducing a fixed price offering into the market. That  
20 is to say it could reduce the utility's ability to ensure  
21 full customer mobility?

22 MR. LLOYD KUCZEK: In the -- in the  
23 context that statement's made I think your concern was  
24 that if a customer signed up for a fixed term product,  
25 with the utility, that customer could no longer sign up

1 with a broker. Now -- during that period.

2 MR. DAVID BROWN: That's right, and the -  
3 - the Board -- the Ontario Board intro -- characterized  
4 that as a risk. And my question to you is that does  
5 Centra agree with that characterization, that that would  
6 be a risk of the utility introducing a fixed price  
7 offering?

8 MR. VINCE WARDEN: You know, it's  
9 probably a little premature for us to consider the risks  
10 and benefits of a -- of a fixed price offering, Mr.  
11 Brown. We haven't really addressed that as a utility at  
12 this point.

13 MR. DAVID BROWN: Well the reason I'm  
14 doing this cross-examination is that Exhibit 9 purports  
15 to be a discussion paper in response to the Board's  
16 directive. And part of the Board's directive was to  
17 discuss the advantages and disadvantages of the utility  
18 offering a fixed price product. So that's why I'm into  
19 this discussion.

20 And are you telling me, Mr. Warden, that  
21 the Corporation really hasn't considered the -- the risks  
22 of the utility offering that kind of product?

23 MR. VINCE WARDEN: Well I think that's why  
24 I earlier indicated that we had to accept this as a  
25 discussion document, that's all it is at this point in

1 time, it's not -- can't be considered a firm corporate  
2 position, it's a discussion document.

3 MR. DAVID BROWN: Going back to page 70  
4 of the OEB's report, you'll see it refers to a second  
5 risk. It writes:

6 "Second, the fixed price aspect would  
7 compete with the product offered by the  
8 retail marketers. It would move the  
9 regulated supply away from being a  
10 default supply, and result in a more  
11 direct competition between the Utility  
12 and competitive suppliers."

13 Has Centra formed any view as to whether  
14 that would be a risk in the event it decided to offer a  
15 fixed price offering?

16 MR. VINCE WARDEN: Well again, and I  
17 think when we talk about risk we have to think about  
18 what's in the best interests of consumers.

19 And so the risk, we would have to make  
20 some decision based on what we think is -- is best for  
21 the customers we serve. And I think we probably need  
22 some more input of those customers we serve, before we  
23 come to any firm conclusion.

24 MR. DAVID BROWN: Continuing on, the --  
25 the OEB writes:

1 "A fixed term, fixed price contract  
2 offer, would require substantial  
3 additional regulatory oversight,  
4 related to the underlying contracting  
5 the customer utility  
6 interface, and the allocation of risk."

7 Does Centra agree that one (1) of the  
8 potential disadvantages of a utility offering a fixed  
9 price offering is that it might increase the need for  
10 additional regulatory oversight; that is there would be a  
11 greater regulatory burden?

12 MR. VINCE WARDEN: My initial reaction to  
13 that is it would not be significant, no.

14  
15 (BRIEF PAUSE)

16  
17 MR. DAVID BROWN: Mr. Chair, I'm moving  
18 to another aspect within this area, but I'm in your hands  
19 whether this is an appropriate time to break, are you  
20 wishing to continue?

21 THE CHAIRPERSON: How much longer do you  
22 think?

23 MR. DAVID BROWN: Maybe another twenty  
24 (20) to thirty (30) minutes.

25 THE CHAIRPERSON: Then we'll break now

1 and we'll come back at 1:00.

2 MR. DAVID BROWN: Thank you.

3

4 --- Upon recessing at 12:00 p.m.

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

6

7 THE CHAIRPERSON: Mr. Peters...?

8 I misjudged his signals, Mr. Brown,

9 whenever you're ready to resume.

10 MS. MARLA MURPHY: Mr. Chairman, maybe I  
11 could wave a little bit before we start. There's a  
12 couple of things that have been distributed over the noon  
13 hour that could perhaps be marked, just so that we don't  
14 lose them. Maybe without the Board Secretary here they're  
15 not in your hands yet.

16 We have distributed the promised June 15th  
17 filing which was the charges for miscellaneous services  
18 which was discussed by Mr. Wiens yesterday in his  
19 evidence.

20 We've also filed the response to  
21 Undertaking 40 which is the undertaking Ms. Derksen took  
22 this morning with Mr. Brown to provide the details of the  
23 gas supply costs allocated on Schedule 10.1.5.

24 I would propose --

25 THE CHAIRPERSON: We have them.

1 MS. MARLA MURPHY: Thank you. I would  
2 propose to mark the charges for miscellaneous services as  
3 Centra Exhibit 28 and the response to Undertaking 40 as  
4 Centra Exhibit 29.

5 THE CHAIRPERSON: That will be fine.  
6 Thank you.

7

8 --- EXHIBIT NO. CENTRA-28: Charges for Miscellaneous  
9 Services

10

11 --- EXHIBIT NO. CENTRA-29: Response to Undertaking 40

12

13 MS. MARLA MURPHY: Thank you.

14 THE CHAIRPERSON: Do you have anything  
15 else?

16 MS. MARLA MURPHY: That's it. Thanks.

17 THE CHAIRPERSON: Mr. Brown...?

18 MR. DAVID BROWN: Thank you, Mr. Chair.

19

20 CONTINUED BY MR. DAVID BROWN:

21 MR. DAVID BROWN: Ms. Derksen, perhaps I  
22 could start with you and I have a few questions on  
23 Undertaking 40.

24 Could you turn with me to Tab 8 of Direct  
25 Exhibit 2 which is Schedule 10.1.5 updated as of April

1 29, 2005 and I understand that the response to  
2 Undertaking 40 provides some underlying details to some  
3 of the numbers on that schedule; is that correct?

4 MS. KELLY DERKSEN: Yes, sir.

5 MR. DAVID BROWN: Could you just help me,  
6 looking at Undertaking 40, under total ordered cost,  
7 you've got the number, \$2,896,078.

8 What does that correspond to on schedule  
9 10.1.5?

10 MS. KELLY DERKSEN: Sir, if you look on  
11 schedule 10.1.5 on page 4 of 6, under gas supplied,  
12 you'll see a total allocated dollars in the amount of  
13 \$2.896 million which corresponds to Undertaking 14 -- 40  
14 I'm sorry.

15 And so Undertaking 40 is providing the  
16 detail behind what the \$2.896 million make up.

17 MR. DAVID BROWN: Just staying on that  
18 line looking at Undertaking 40, you've got a column  
19 allocated to primary, the numbers five hundred and sixty-  
20 five thousand, four hundred and seventy three (565,473)  
21 and going back to schedule 10.1.5, page 4 of 6, we find  
22 that under the primary gas column opposite the gas supply  
23 lines, is that correct? That's the same number?

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

25 MR. DAVID BROWN: And this response to

1 Undertaking 40, gives more detail and is responsive you  
2 say to the Board's direction to track more precisely the  
3 gas accounting and gas regulatory costs, is that my  
4 understanding of this document?

5 MR. DARREN RAINKIE: Mr. Brown, the way  
6 we've got into this discussion in the first place is that  
7 there seemed to be some confusion given the fact that we  
8 were only allocating \$556,000 out of \$2.9 million of what  
9 had been termed gas procurement costs.

10 The confusion is, is that this chart shows  
11 that there's more than gas procurement costs. There's  
12 NEB costs, capacity management costs, transportation  
13 costs and the cost of providing of WTS service on this  
14 chart.

15 So I think when you see it, it shows why  
16 we're allocating what looks on the surface to be so  
17 little of gas procurement cost to primary gas that's  
18 because we have many different line items lumped into  
19 this great big pot of costs, called gas supply, that's  
20 where the confusion that resulted in the Board's  
21 directive, if you like, came from. And that's what I was  
22 trying to explain earlier this morning.

23 MR. DAVID BROWN: I thank you for that,  
24 Mr. Rainkie, my questions were directed towards what  
25 appeared on page 77 of Board Order 188/03, which was a

1 request or a requirement by the Board for Centra to more  
2 precisely track the gas procurement and gas accounting  
3 costs in the future.

4           And all I want is a simple yes or no. Is  
5 the answer to Undertaking 40 that you filed, filed on the  
6 basis that this is a more precise tracking of the gas  
7 procurement and gas accounting costs or is designed to  
8 say something else?

9           MR. DARREN RAINKIE: Yes sir, I'll give  
10 you the yes on that. It is what we considered to be  
11 responsive to that directive.

12           MR. DAVID BROWN: Thank you, I appreciate  
13 that clarification.

14           Just so that the record in this proceeding  
15 is complete, could I ask you to undertake to file the  
16 response that your made to Undertaking number 40, in the  
17 2003/2004 general rate application which provided a  
18 similar breakdown for the budgeted numbers that you filed  
19 in that proceeding.

20           MS. KELLY DERKSEN: I'm sorry, you're  
21 going to have to ask me that again. I'm not sure that I  
22 followed your question.

23           MR. DAVID BROWN: In the 2003/2004  
24 general rate application in response to Undertaking 40,  
25 you also filed a document detailing the breakdown of the



1 CONTINUED BY MR. DAVID BROWN:

2 MR. DAVID BROWN: I don't want to belabour  
3 this cost allocation area, so I think I only have one (1)  
4 -- two (2) further questions on your undertaking  
5 response, and, Ms. Derksen, I'll direct them to you.

6 If you go about halfway down the  
7 description of gas procurement orders column, there's an  
8 order number 626062, direct purchase -- labour costs for  
9 direct purchase supervisor and direct purchase  
10 coordinators.

11 What is the full time equivalent head  
12 count that underpins that number?

13

14 (BRIEF PAUSE)

15

16 MR. DAVID BROWN: If you don't have it at  
17 the tip of your fingers, if you could undertake to  
18 provide it, that would be fine?

19 MR. VINCE WARDEN: We can do that.

20 MR. DAVID BROWN: Thank you very much,  
21 Mr. Warden.

22

23 --- UNDERTAKING NO. 42: CENTRA to indicate to  
24 Direct/Municipal what is the  
25 full time equivalent head

1 count that underpins Order  
2 Number 626062.  
3

4 CONTINUED BY MR. DAVID BROWN:

5 MR. DAVID BROWN: The second question,  
6 Ms. Derksen, if you look at the fourth column, it's  
7 entitled allocation basis. Then you've given a  
8 description as to how each item has been -- has been  
9 allocated.

10 Could you please tell me the methodology  
11 that you employed in making that allocation. What --  
12 what rules or methodology were you following to come up  
13 with a 100 percent to distribution or a 67 percent to  
14 transportation?

15 MS. KELLY DERKSEN: Mr. Brown, similar to  
16 what I do with all other costs, certainly in -- in the  
17 operating and maintenance section of our revenue  
18 requirement is that I sit down with the people  
19 responsible in the area, the experts in the area, to  
20 understand what they do.

21 And through those conversations with say  
22 Mr. Stevens or Ms. Stewart, I'm able to gain an  
23 understanding of the functions that they provide, and  
24 they help me decide whether the costs ultimately belong,  
25 and it's on the basis of those conversations that you see

1 the information before you, similar to what I described  
2 in the '03/04 General Rate Application.

3 MR. DAVID BROWN: Thank you for that, Ms.  
4 Derksen.

5 Just one (1) other sort of follow up  
6 matter, and this is directed to you, Mr. Warden. I asked  
7 you some questions this morning about the mock up of the  
8 integrated bill that Centra will be rolling out I think  
9 it is in November.

10 Can you tell me, in -- in the record in  
11 this Proceeding, is there a copy of an existing Centra  
12 bill that is sent to an account holder who procures  
13 primary gas from a broker. That is a WTS customer.

14 Is that in the record in this Proceeding?

15 MR. VINCE WARDEN: No, it's not.

16 MR. DAVID BROWN: Could I ask you please,  
17 sir, to undertake to file a copy of such a bill, that is  
18 to say a current Centra bill that would be sent to a WTS  
19 customer?

20 MR. VINCE WARDEN: Sure, we'll do that.

21 MR. DAVID BROWN: Thank you very much for  
22 that, sir.

23

24 --- UNDERTAKING NO. 43: CENTRA to file for  
25 Direct/Municipal File a copy

1                                   of a current Centra bill that  
2                                   would be sent to a WTS  
3                                   customer.  
4

5                   THE CHAIRPERSON:    I presume you'll blank  
6 out the actual name?

7                   MR. VINCE WARDEN:    We will.  
8

9 CONTINUED BY MR. DAVID BROWN:

10                  MR. DAVID BROWN:    And certainly there are  
11 privacy concerns, but what I'm interested in is the  
12 identifications that are made on the existing bill of the  
13 broker. That's what I'm getting at.

14                  MR. VINCE WARDEN:    Yes, we understand.

15                  MR. DAVID BROWN:    If I can move back then  
16 to the fixed price offering issue and conclude my  
17 questions in that area, sir, could I ask you please to  
18 turn to Centra Exhibit 9, I believe it is, which is the  
19 discussion paper.

20                  If you turn to page 9 of that discussion  
21 paper please. Towards the bottom of the page you've got  
22 a column -- a heading, Centra's Comments, which is where  
23 I understand you begin the discussion, and you have --  
24 you start your discussion off by some general comments.

25                  And the first point in the general

1 comments, contains Centra's assessment or view that the  
2 competitive nature of the market in the residential and  
3 small commercial sectors, has not developed into a  
4 robust, competitive market.

5                   Could you please explain what Centra  
6 envisages as a robust, competitive market?

7                   MR. LLOYD KUCZEK: That's a general  
8 judgment call in terms of what would be a robust,  
9 competitive market, but clearly having two (2) brokers  
10 offering those products in a market is not a robust,  
11 competitive market, in our opinion.

12                  MR. DAVID BROWN: What end state do you  
13 envisage that would represent a robust competitive  
14 market, what would the features of that end state be?

15                  MR. LLOYD KUCZEK: Having a number of  
16 customer -- or a number of entities offering customers a  
17 variety of products.

18                  MR. DAVID BROWN: Now, could I ask you to  
19 turn to Direct Exhibit 2, which is Volume I of my cross-  
20 examination brief and turn to Tab 15.

21

22                                 (BRIEF PAUSE)

23

24                  MR. DAVID BROWN: And if you've got that  
25 Mr. Kuczek and Mr. Warden, you'll see at Tab 15 a letter

1 from Direct Energy to the Board dated June 14, 2004 and  
2 you'll recall back on April 30th, 2004 the Board sent out  
3 a letter to interested parties soliciting their views  
4 with respect to competition and future regulation of  
5 natural gas in Manitoba.

6           This letter constitutes Direct Energy's  
7 response and if you could turn with me to page 2 you'll  
8 see that the author of this letter, whom I believe was  
9 Mr. Mondrow (phonetic), has a section entitled "review of  
10 barriers to further evolution of retail choice."

11           Do you see that section, sir?

12           MR. LLOYD KUCZEK:    Yes.

13           MR. DAVID BROWN:    And Mr. Mondrow  
14 identifies certain structural barriers and he's listed  
15 three (3) of them and certain procedural barriers which,  
16 in his view, constitute barriers to the further evolution  
17 of retail choice, you see that?

18           MR. LLOYD KUCZEK:    Yes.

19           MR. DAVID BROWN:    You'd agree with me  
20 that there might well be a number of factors other than  
21 the number of product offerings that might be impeding  
22 competition in the retail market in Manitoba?

23           MR. LLOYD KUCZEK:    There could be, yes.

24           MR. DAVID BROWN:    And would Centra agree  
25 that perhaps an appropriate first step would be to tackle

1 some of the structural impediments to competition rather  
2 than see the utility expand its product offerings in  
3 order to move towards what you call a more robust,  
4 competitive market?

5 MR. LLOYD KUCZEK: That -- that would be  
6 a decision of the person responsible for the -- the  
7 general structure of the market to make in Manitoba, not  
8 for Centra Gas.

9 MR. DAVID BROWN: In Board Order 131/04,  
10 which I've reproduced in Direct Exhibit 2 at Tab 3, if  
11 you go to the bottom of page 84 you see the Board's  
12 direction on this fixed price offering issue.

13 And the Board's direction, right at the  
14 bottom of the page, was two-fold; asking Centra to file a  
15 report on advantages and disadvantages of Centra making  
16 the offering and also include a discussion on how such  
17 alternative service offerings would be delivered?

18 MR. LLOYD KUCZEK: Correct.

19 MR. DAVID BROWN: I wanted, in terms of  
20 how such alternative service offerings would be  
21 delivered, to, sort of, canvas a few potential  
22 alternatives with you, Mr. Kuczek.

23 And in that regard if you could turn to  
24 Direct Exhibit 3, which is Volume II of my cross-  
25 examination brief, beginning at Tab 5 I have reproduced

1 some of the materials from BC Gas, now known as Terasen  
2 in respect to their stable rate option.

3           And I take it in the course of preparing  
4 the discussion paper, Centra Exhibit 9, you gave some  
5 consideration or you became somewhat familiar with what  
6 Terasen was offering by way of a fixed price offering in  
7 British Columbia; correct?

8           MR. LLOYD KUCZEK:     Correct.

9           MR. DAVID BROWN:     And if we take a look  
10 at Tab 5 and go to Section 7.3 "barrier to entry", BC  
11 Gas says it doesn't believe by offering the stable rate  
12 option it would create a significant barrier.

13           But it says:

14                   "Participation would be limited to  
15                   twenty thousand (20,000) customers  
16                   which is less than 3 percent of the  
17                   total customer base."

18           And I guess my question to you is, in  
19 terms of how Centra might deliver a fixed price  
20 offering?

21                   Has Centra given any consideration to  
22 limiting the offering to only a certain number of  
23 customers, a small percentage of its customer base on,  
24 sort of, a pilot basis as has Terasen out in British  
25 Columbia?

1 MR. LLOYD KUCZEK: To the extent that  
2 we've had some minor discussions with a few employees but  
3 nothing on a serious nature.

4 MR. DAVID BROWN: I take it -- has Centra  
5 formed any view then as to the attractiveness of such a  
6 pilot project or limited customer approach to the fixed  
7 price offering or is it too early stage to make any  
8 determinations?

9 MR. LLOYD KUCZEK: Really too early.

10 MR. DAVID BROWN: If you go back with me  
11 to Section 7.3, you'll see at the end of that section, BC  
12 Gas wrote:

13 "Where conditions exist that are  
14 indicative of a fully competitive  
15 market, such as a sufficient number of  
16 competing firms, informed and educated  
17 consumers and lack of consumer interest  
18 in the BC gas product, BC gas will  
19 consider withdrawing its offering."

20 In terms of Centra's consideration of the  
21 how it would deliver a fixed price offering, have you  
22 given any consideration to offering it on the basis that  
23 if, as you say, a robust competitive market emerges, then  
24 Centra would consider withdrawing its fixed price  
25 offering from the marketplace?

MR. LLOYD KUCZEK: I suspect that would be

1 an option that we would consider.

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(BRIEF PAUSE)

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MR. DAVID BROWN: Now going back to your discussion paper, sir, at page 10, go down to the bottom of page 10, this is in the general comment section, item number 7.

9

Do you see that, sir?

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MR. LLOYD KUCZEK: Yes.

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MR. DAVID BROWN: You write:

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"It is uncertain what impacts Centra would have by offering multiple service offerings in Manitoba. Centra's entry could potentially result in existing brokers leaving the Manitoba market. It could deter new brokers from entering the Manitoba market or it could have no net impact on the market other than Centra offering another choice in the market."

Do I take it from that, that one of the considerations Centra views must be taken into account in assessing whether it should be allowed to make a fixed price offering, would be the impact that that offering

1 would have on the competitive market in Manitoba?

2 MR. LLOYD KUCZEK: We would certainly  
3 want to take that into account in the context of what's  
4 best for consumers in Manitoba, that's our driver.

5 MR. DAVID BROWN: And I take it from your  
6 previous description of a robust competitive market as  
7 several firms offering several products, if one (1) of  
8 the effects of the Utility here in Manitoba offering a  
9 fixed price offering would be to drive brokers out of the  
10 Province, you would view that as counter productive, that  
11 is, it would be a move away from your objective of  
12 creating a robust competitive market?

13 MR. LLOYD KUCZEK: Our objective is not  
14 to create a robust competitive market. Our objective is  
15 to move into the direction of providing customers with --  
16 or in the direction of what's best for our customers  
17 interest.

18 MR. DAVID BROWN: So Centra does not  
19 equate a robust competitive market with what's in the  
20 best interest of the customers, is that what you're  
21 saying?

22 MR. LLOYD KUCZEK: We -- we don't have an  
23 opinion, I don't think at this point, of whether that  
24 would be in the best interests of the customers at this  
25 point.

1                   MR. DAVID BROWN:    In terms of the Terasen  
2 stable rate option that it's -- that it offered to the  
3 market last year, is Centra aware that as matters now  
4 stand in British Columbia, retail unbundling has not been  
5 implemented?

6                   MR. LLOYD KUCZEK:   I'm not an expert in  
7 the BC market.   I'm aware of what Terasen offered last  
8 year and I did discuss how that offering went with one  
9 (1) of the employees there and that's -- other than  
10 reading what's going on in their internet site, I don't  
11 know a lot more than that.

12                   I did phone one of their contact centre  
13 staff and -- or phoned the contact centre and inquired  
14 about purchasing natural gas through a broker there at  
15 the residential level and the contact centre person  
16 couldn't help me out at all.

17                   MR. DAVID BROWN:    Could you turn with me  
18 in Direct Exhibit 3 to Tab 8?

19                   In the course of becoming familiar with  
20 what Terasen is doing in British Columbia, did you read  
21 the implementation reviews that it has been submitting to  
22 the British Columbia Utilities Commission, because what  
23 we see at Tab 8 is a fairly recent implementation review  
24 dated March 16th, 2005?

25                   MR. LLOYD KUCZEK:    Based on my markings I

1 read to page 7 for sure.

2 MR. DAVID BROWN: Okay, well let me take  
3 you to page 49, Section 6.5, date for residential  
4 unbundling, do you see that, sir?

5 MR. LLOYD KUCZEK: Yes, I have some  
6 highlighted stuff there too, so obviously I got there.

7 MR. DAVID BROWN: Okay. And you'll see  
8 that in 6.5 it reads:

9 "By allowing for a full year's cycle of  
10 commercial unbundling to complete, the  
11 earliest date residential unbundling  
12 could be implemented is November 27 --  
13 with November 2007, with November 2008  
14 the optimal date from Terasen's  
15 perspective, as it would allow more  
16 time for review and implementation of  
17 the solution required."

18 So, since you've got some markings beside  
19 that, did you understand from that, that the Terasen  
20 stable rate option was introduced into an environment  
21 where there was no retail choice, there's no retail  
22 unbundling in BC?

23 MR. LLOYD KUCZEK: And that appears to be  
24 the case, yes.

25 MR. DAVID BROWN: Which is quite

1 different from the marketplace here in Manitoba, where  
2 there has been retail choice since 1991 or '2, I've lost  
3 track of the date.

4 MR. LLOYD KUCZEK: Correct.

5 MR. DAVID BROWN: In terms of the  
6 advantages and disadvantages that Centra has discussed,  
7 of a fixed price offering, could you turn with me to page  
8 11 of exhibit -- Centra Exhibit 9 please, where you've  
9 set those out. I'd like to ask you a few questions on  
10 them.

11 And under the section, Advantages of  
12 Centra Offering Multiple Service Products, the first  
13 advantage that the company sees is satisfaction of  
14 customer preference; is that what you're driving at  
15 there?

16 MR. LLOYD KUCZEK: Yes.

17 MR. DAVID BROWN: However, I understood  
18 from your testimony yesterday, Mr. Kuczek, that based on  
19 some market survey -- surveying that you'd done, Centra  
20 had learned that only 13 percent of the customers  
21 surveyed, would want a product beyond the existing hedged  
22 product, and I think you testified that you wouldn't  
23 expect a great number of customers to sign up.

24 So, is that your best evidence as to the  
25 extent of customer preference for the utility offering a

1 fixed price offering, that perhaps 13 percent of your  
2 customers might be interested?

3 MR. LLOYD KUCZEK: What -- what the  
4 market research showed that is if they're informed about  
5 the products available, and they understood the product  
6 that was available through Centra, which is somewhat of a  
7 complex prod -- product, only 13 percent preferred to  
8 have a product that was hedged beyond what Centra was  
9 currently offering.

10 So, whether or not a market could achieve  
11 greater than that, would depend on what sort of marketing  
12 efforts would take place. And so you could see some  
13 percentages beyond that, depending on the marketing  
14 efforts that took place out there.

15 MR. DAVID BROWN: Based on your  
16 discussions with the folks at Terasen in BC, have you  
17 learned that the response by residential customers to  
18 their one (1) year fixed price offering has been tepid?

19 MR. LLOYD KUCZEK: The way they context  
20 it to me was they were -- they were pleased with their  
21 results, there wasn't a number of people that signed up,  
22 there was two thousand (2,000) customers that signed up.  
23 And I was just looking at my notes to see if there was  
24 any percentage of what that meant in terms of customers,  
25 but I don't see it.

1                   But what they did mention to me was that  
2 they didn't have an aggressive marketing effort  
3 associated with that so they didn't really expect to see  
4 many more customers in that signed up, and they were  
5 going to consider offering additional products beyond  
6 that. But the marketing efforts really was the -- they  
7 thought the reason for the low number of people signing  
8 up.

9                   MR. DAVID BROWN:   And did you learn from  
10 your discussions that the marketing that was used was  
11 really to offer the stable rate option over a one and a  
12 half (1 1/2) month enrollment period, with a cap of a  
13 maximum of twenty thousand (20,000) customers.

14                   Is that the information that you got from  
15 your contact?

16                   MR. LLOYD KUCZEK:   The cap is correct,  
17 and I knew there was a short period of time that they did  
18 offer it, so that is correct.

19                   MR. DAVID BROWN:   Has Centra given any  
20 consideration as to the kind of marketing that it might  
21 undertake, should it offer a fixed price offering?

22                   MR. LLOYD KUCZEK:   Only in general  
23 discussions about whether or not we would use door to  
24 door sales, but really preliminary at this point. Too  
25 preliminary, the discussions to make much more of a

1 comment than that on that subject.

2 MR. DAVID BROWN: Could I ask you to go  
3 back to page 11 of Exhibit 9, these advantages and  
4 disadvantages. Under advantages, item number 2,  
5 Unbiased Products, Centra writes:

6 "Consumers would have access to an  
7 unbiased supplier of multiple service  
8 offerings if Centra offered consumers a  
9 full range of products."

10 Could you explain what Centra means by an  
11 unbiased supplier?

12 MR. LLOYD KUCZEK: I could try to explain  
13 it, because I do have an added word added to my document  
14 here where it says, "perceived unbiased information."

15 Generally, the point that I was trying to  
16 make there is that if one company, whether it was  
17 Manitoba Hydro or a -- or a broker that was offering a  
18 full portfolio of products, then you would get an  
19 unbiased viewpoint from that particular entity.

20 So, Centra or a broker had offered that or  
21 offered a full portfolio of products, that's what you  
22 would get.

23 MR. DAVID BROWN: But really, sir, isn't  
24 the practical reality that Direct Energy, Manitoba Energy  
25 Savings Corporations and Centra, if it offers multiple

1 offerings, as soon as you're into offering products  
2 you're no longer unbiased, you're biased. You want the  
3 consumer to buy your product; isn't that correct?

4 MR. LLOYD KUCZEK: The point I was making  
5 is if you had a full range of products within that  
6 portfolio in the optimum situation you wouldn't really  
7 care which product the customer bought -- purchased.

8 Although we do know in the competitive  
9 market that there are higher mark ups within certain  
10 products than other products so that's not necessarily  
11 true with -- with a private entity.

12 MR. DAVID BROWN: Back on page 11 under,  
13 "unbiased products," you continued, and I take it you're  
14 the author of this report?

15 MR. LLOYD KUCZEK: Oh yes.

16 MR. DAVID BROWN: And are fully behind it  
17 100 percent.

18 THE CHAIRPERSON: We don't sense a pride  
19 of authorship here, Mr. Kuczek.

20 MR. LLOYD KUCZEK: It was the late hours  
21 writing the report that I was thinking about.

22

23 CONTINUED BY MR. DAVID BROWN:

24 MR. DAVID BROWN: Very good. Under the  
25 second sentence in, "unbiased products," you write:

1                   "Consumers would have access to  
2                   unbiased information on the range of  
3                   products available, the nature of those  
4                   products, et cetera, et cetera."

5                   Two (2) questions, if Centra begins to  
6 offer multiple service offerings, you wouldn't be an  
7 unbiased provider of information, I mean, you, by  
8 definition, become a biased provided of information;  
9 wouldn't you, you'd be competing with the brokers?

10                  MR. LLOYD KUCZEK:     No, I -- when I wrote  
11 that I wasn't thinking we would be biased at all.  If we  
12 -- if we were -- even if we were competing with the  
13 brokers and offering a full range of products within a --  
14 within -- or within a portfolio, we would be unbiased to  
15 which product the customer would choose.

16                  We -- we're always driven by what's best  
17 for the customer and we would provide the customer with  
18 the information and it's the customer's choice always  
19 what -- what product to purchase.

20                  MR. DAVID BROWN:     Could I ask you, sir,  
21 to turn to Direct Exhibit 3, to the last tab, Tab 11.  
22 And I've reproduced there some print ads or off prints  
23 from a website called Energyshop.com; are you familiar  
24 with that website, sir?

25                  MR. LLOYD KUCZEK:     My staff are more

1 familiar with it. But I -- I did look at what was in the  
2 exhibit here.

3 MR. DAVID BROWN: Right. And when you  
4 took a look at what's in the exhibit, you'll see that  
5 this is a website to which a consumer can go and find out  
6 for a whole bunch of jurisdictions that are listed there  
7 on the first page -- first page, what natural gas  
8 offerings are available in that franchise area, correct?

9 MR. LLOYD KUCZEK: Correct.

10 MR. DAVID BROWN: And if you go to the  
11 second page at Tab 11, there's a print out there of the  
12 deregulated natural gas prices for Manitoba and you'll  
13 see that the offerings by Energy Savings Manitoba and  
14 Municipal Gas are described on that page; correct?

15 MR. LLOYD KUCZEK: You'll have to guide  
16 me a little more -- oh, they're there. Correct, I see  
17 them.

18 MR. DAVID BROWN: Right. And I think  
19 later on I've also reproduced the stuff for Ontario for  
20 the Enbridge and -- and Union franchise areas.

21 And my simple proposition to you is that,  
22 doesn't it appear that there's already a private entity  
23 out there that is providing consumers with unbiased  
24 information as to the product offerings within their  
25 franchise area?

1                   MR. LLOYD KUCZEK: I actually couldn't  
2 make a comment to whether or not this organization is  
3 unbiassed or not. I'm not sure who sponsors this -- this  
4 website.

5                   MR. DAVID BROWN: Wouldn't you agree with  
6 me that for -- for Centra to say that there's some need  
7 that it provide this kind of service in the market is  
8 really redundant, you're just duplicating something  
9 that's already out there in the private market?

10                  MR. LLOYD KUCZEK: I'm not -- I'm not  
11 convinced of that, I guess.

12                  MR. DAVID BROWN: Are you aware, sir,  
13 that the Ontario Energy Board website contains a link to  
14 the energysshop.com website?

15                  MR. LLOYD KUCZEK: I wasn't aware of  
16 that.

17                  MR. DAVID BROWN: Going back to page 11  
18 of your Exhibit 9, the third advantage that you described  
19 of Centra offering multiple service products is there  
20 would be benchmark pricing. Customers would have  
21 additional and more comparable benchmarking products for  
22 the purpose of comparing prices.

23                  You will have seen from the Energyshop.com  
24 description of what's available in Manitoba, is that  
25 there are four (4) year fixed price and five (5) year

1 fixed price offerings; correct?

2 MR. LLOYD KUCZEK: I see that, yes.

3 MR. DAVID BROWN: Is Centra contemplating  
4 offering four (4) and five (5) year fixed price products  
5 to be comparable to that which is offered by the brokers?

6 MR. LLOYD KUCZEK: We aren't  
7 contemplating offering anything at this point.

8 MR. DAVID BROWN: In your discussions  
9 with the folks over at Terasen had you learned that  
10 Terasen had concluded that it wouldn't offer a fixed  
11 price product that went out more than one (1) year  
12 because of the risk that would be involved in offering  
13 such a product?

14 MR. LLOYD KUCZEK: No I wasn't aware of  
15 that.

16 MR. DAVID BROWN: In terms of how the  
17 Utility would deliver a fixed price product, I take it  
18 from -- I don't know whether you've read the transcript,  
19 but, I believe when the first Panel was here, there was a  
20 bit of discussion on this point, and Mr. Stephens and Ms.  
21 Stewart suggested that there could be two (2) different  
22 ways that Centra would underpin gas supply for a fixed  
23 price product.

24 One (1) would be to use certain hedging  
25 products, the other would be to enter into a fixed term

1 supply contract that would underpin the products. Is  
2 that a fair description of the sort of two (2)  
3 alternatives that Centra sees?

4 MR. LLOYD KUCZEK: I recall reading the  
5 transcripts and I see those as being two (2) and there's  
6 an alternative option where we can just purchase it  
7 directly from the marketplace, such as from yourself.

8 MR. DAVID BROWN: I'm a lawyer. I don't  
9 sell gas.

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(BRIEF PAUSE)

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MR. DAVID BROWN: In terms of the  
incremental cost above your current product that might be  
associated with a fixed price offering, what  
consideration has Centra given to flowing through those  
incremental costs?

Would you flow them through only to those  
customers who took up the fixed price offering?

Or would you be trying to socialize or  
spread those costs around all Centra customers regardless  
of whether they took a fixed price offering?

MR. LLOYD KUCZEK: It's too early in our  
discussions to have a conclusion on that but the  
preliminary discussions that we had, and again, this is

1 with staff members, not the executive, was that if we  
2 were to do something like that clearly those costs should  
3 be tied to the products that are offered to the  
4 customers.

5 MR. DAVID BROWN: I take it that you  
6 reached that preliminary conclusion because you wanted to  
7 avoid any notion of cross-subsidization as between one  
8 (1) class of customers and another?

9 MR. LLOYD KUCZEK: We think it would be  
10 the fair way of treating the costs associated with that  
11 product.

12 MR. DAVID BROWN: Have you had any  
13 internal discussions as to how you would actually be able  
14 to segregate those costs in terms of your accounting  
15 books, or have you had any discussions as to whether it  
16 would be more practical to offer a fixed price product  
17 through an affiliate so that you could ensure there was  
18 no cross-subsidization?

19 MR. LLOYD KUCZEK: Just preliminary  
20 discussions.

21 MR. DAVID BROWN: And what have those  
22 preliminary discussions been?

23 MR. LLOYD KUCZEK: They were very high  
24 level. The discussion was more linked to how can we best  
25 serve customers and keep costs to the minimum.

1 MR. DAVID BROWN: Okay. And have the  
2 discussions --

3 MR. LLOYD KUCZEK: Oh, generally  
4 speaking, we think it would be a lower cost to just do it  
5 through an integrated organization as opposed to an  
6 affiliate, in terms of how you would track the costs. We  
7 do that with a number of our functions within the  
8 corporation today, so we think it's achievable.

9 MR. DAVID BROWN: Moving down on page 11  
10 to the next section, "Disadvantages of Centra offering  
11 multiple service products." The first disadvantage  
12 you've identified is that Centra may not be able to  
13 compete effectively if its multiple service offerings are  
14 subject to regulatory oversight and associated costs.

15 Could you explain what Centra perceives  
16 this problem to be, that is the problem of regulatory  
17 oversight?

18 MR. LLOYD KUCZEK: It's -- there's just  
19 an added cost with regulatory oversight. So the  
20 statement is a generic statement. We believe that if we  
21 were to compete with a brokering community the private  
22 industry has certain advantages and Centra, as a Crown  
23 corporation, has certain advantages.

24 And we're not sure which one (1) would  
25 have a competitive advantage over the other.

1 MR. DAVID BROWN: Well, in terms of the  
2 regulatory oversight, would that point -- or have you had  
3 any discussions whether that would point in the direction  
4 of Centra offering fixed price products through an  
5 affiliate, or an unregulated affiliate, rather than the  
6 regulated utility?

7 MR. LLOYD KUCZEK: That would be an  
8 option that we would have to assess in more detail I  
9 think.

10 MR. DAVID BROWN: In the course of  
11 preparing your discussion paper, did you look into the  
12 histories of the Ontario LDC's, Union Gas and Enbridge,  
13 in offering competitive products for natural gas supply?

14 MR. LLOYD KUCZEK: Only in a high level  
15 generic sense. We really focussed on what was happening  
16 in Manitoba, and tried to figure out what the advantages,  
17 disadvantages and what the options possibly were,  
18 available to the marketplace here.

19 MR. DAVID BROWN: In terms of the high  
20 level general sense, did you learn that both Enbridge and  
21 Union Gas set up marketing affiliates that tried to offer  
22 fixed price offerings for a period of time?

23 MR. LLOYD KUCZEK: I'm learning more  
24 everyday. I did not know that.

25 MR. DAVID BROWN: So you didn't learn

1 that they sold those businesses within about eighteen  
2 (18) months?

3 MR. LLOYD KUCZEK: No, I didn't know  
4 that.

5 MR. DAVID BROWN: Finally, the -- the  
6 second disadvantage that you've identified here, is that  
7 Centra may not be able to establish a sufficient customer  
8 base that cover the administrative costs of multiple  
9 service offerings.

10 Was that disadvantage put in there in part  
11 because of the information you learned from the folks at  
12 Terasen, that they hadn't had a particularly -- well,  
13 that they'd had a very low uptake on their stable rate  
14 option?

15 MR. LLOYD KUCZEK: No, that was just  
16 generally based on our market research information, which  
17 suggested that for the most part a number of customers  
18 today that wanted longer term fixed products, may have  
19 signed up already. And that there shouldn't be a large  
20 number of customers beyond that, that would want to sign  
21 up for longer term products.

22 And also taking into account, we probably  
23 wouldn't have aggressive door to door sales to sign  
24 customers up. This is a product that -- from what we can  
25 sense it's not a product that customers are out looking

1 for, it's more of a product that you have to take to the  
2 customer and convince them that they -- they should  
3 consider this option, and purchase the product.

4 MR. DAVID BROWN: Well, on this point of  
5 a -- of a customer base, could I ask you, sir, to turn to  
6 Direct Exhibit 3, Tab 10.

7 I've reproduced there an April 9, 1997  
8 decision of the California Public Utilities Commission,  
9 in an Application brought by Southern California Gas  
10 Company. And I'm not asking you to comment on the  
11 decision in detail, but it -- it was a -- the reason I  
12 put it in is that that utility sought approval for one  
13 (1) year fixed price offerings and the regulator denied  
14 it.

15 But the regulator, in denying it, raised  
16 two (2) issues, and I wanted to get Centra's views on  
17 those two (2) issues.

18 If you could turn with me to page 3 of the  
19 decision, you'll see on that page a heading, effect on  
20 competition. Are you with me?

21 MR. LLOYD KUCZEK: I'm still with you.

22 MR. DAVID BROWN: Great. And the second  
23 paragraph under that heading, it starts off by talking  
24 about concerns now sufficiently alleviated by the  
25 utility's proposal. And then the Board went on:

1                    "SOCAL -- SOCAL Gas still has more  
2                    convenient access to customer  
3                    information that it can use to market  
4                    this service to targeted customers for  
5                    its shareholder's advantage. SOCAL Gas  
6                    also has superior access to customers,  
7                    because it has the ability to market  
8                    this service through bill inserts,  
9                    along with other utility services to  
10                   which core aggregators do not now have  
11                   access."

12                   Do you, sort of, concur with that  
13 observation by the California Board, that, in fact, the -  
14 - the utility would have a bit of a leg up on brokers, in  
15 terms of their marketing access to customers, because you  
16 have access to an existing customer base and all the  
17 information about those customers?

18                   MR. LLOYD KUCZEK: We have access to  
19 customer information clearly. The concern as I -- I  
20 interpreted it here was that if you're a utility with  
21 shareholders, unlike Centra Gas, and you were driven by  
22 what's best in the interests of your shareholders, as  
23 opposed to the customers, that would be a concern.

24                   And to that regard, that -- that's what I  
25 read into this.

1 MR. DAVID BROWN: If -- if Centra were to  
2 offer a fixed price offering, has it given any  
3 consideration as to whether, if it did so, it would give  
4 brokers access to bill inserts in the Centra bills so  
5 that brokers can market their products through the Centra  
6 bill?

7 MR. LLOYD KUCZEK: I haven't thought that  
8 far down the road yet.

9 MR. DAVID BROWN: Well, just then to,  
10 sort of, tie up the cross-examination of Mr. Kuczek, can  
11 you tell me what are the next steps that Centra plans to  
12 take regarding a potential fixed price offering? Where  
13 are you going from here?

14 MR. LLOYD KUCZEK: I'm going to take  
15 vacation.

16 MR. DAVID BROWN: I think on that basis  
17 I'll thank you and that concludes my cross-examination.

18 THE CHAIRPERSON: Thank you, Mr. Brown.  
19 Ms. Ruzycki, you're next.

20 MS. NOLA RUZYCKI: Actually, I have no  
21 questions, Mr. Peters and Mr. Brown have done an  
22 excellent job of addressing my issues.

23 THE CHAIRPERSON: Very good. Thank you.

24 MS. NOLA RUZYCKI: Thank you.

25 THE CHAIRPERSON: Dr. Miller, do you want

1 to move up to the front?

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(BRIEF PAUSE)

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MR. PETER MILLER: Thanks. I don't want to get into a lengthy discussion of the Sustainable Development Act but I -- I have -- where are they -- I have copies of the Act and I'd just, without making legal argument, I'd just like to point out certain connections between them and Hydro's and possibly Centra's policies.

If -- if it's all right I'd like to be able to distribute those.

MS. MARLA MURPHY: Mr. Chairman, I might suggest that if Mr. -- Dr. -- Professor Miller intends to make comments on the Act and its application to Centra that that's more appropriately a matter for argument.

It's not really something that should be put to the witnesses for their comments.

THE CHAIRPERSON: What is your purpose for the distribution, sir?

MR. PETER MILLER: Well, to point out the principles of sustainable development which are two (2) schedules there.

THE CHAIRPERSON: You're not asking for the Panel's opinion on the legislation?

1                   MR. PETER MILLER: Well, only in the  
2 sense -- not what their legal obligations are but to the  
3 extent to which they have taken direction from it,  
4 without legal obligation.

5                   I mean, I take it your interpretation is  
6 that there isn't a legal obligation?

7                   MS. MARLA MURPHY: Yes, we've stated that  
8 on the record.

9                   MR. PETER MILLER: Yeah. On the other  
10 hand, there are many ways in which the Corporation has  
11 assimilated the principles and the -- some of the  
12 practices and I wanted to pursue that -- that connection  
13 moving very quickly into your voluntary challenge which  
14 has the -- a corporate statement of the sustain-ability  
15 principles.

16                   MS. MARLA MURPHY: I think perhaps we can  
17 accomplish it but maybe without the legislation and then  
18 we avoid the -- the raising of a legal issue. Now, if  
19 you want to distribute it and have it referred to, that's  
20 fine, but I -- I don't want to be interjecting all the  
21 way through but my concern does still somewhat remain.

22                   THE CHAIRPERSON: I think Centra intends  
23 to be cooperative, Dr. Miller. So maybe we'll just  
24 distribute them and we'll see how we go from there as you  
25 go through it.

1 MR. PETER MILLER: Thank you.

2 THE CHAIRPERSON: Mr. Singh...?

3

4 (BRIEF PAUSE)

5

6 MR. PETER MILLER: And while that's being  
7 distributed, I wonder if I could make a correction to the  
8 transcript from yesterday.

9 THE CHAIRPERSON: Please.

10 MR. PETER MILLER: There are a number,  
11 four (4) undertakings on page 1460 that says that  
12 TREE/RCM was to provide the Board with certain  
13 information. And I just want to indicate that we are not  
14 prepared to undertake Mr. Saxberg's undertakings.

15 So I've already notified the transcript  
16 person but I just wanted that on the record.

17 THE CHAIRPERSON: That's fine.

18

19 CROSS-EXAMINATION BY MR. PETER MILLER:

20 MR. PETER MILLER: And then on -- I can't  
21 remember when it was, but I left with the previous Panel  
22 certain questions in advance and I'm wondering if you  
23 have the answers to those prepared?

24 MR. LLOYD KUCZEK: Dr. Miller, I do  
25 apologize for not having something formally prepared. I

1 think I could answer all of your questions if you want to  
2 go through them. And I was quickly trying to find all of  
3 the questions here and I'm struggling with all the  
4 paperwork in front of me.

5 MR. PETER MILLER: Yeah, okay, well lets  
6 just like me --

7 THE CHAIRPERSON: So Professor Miller has  
8 distributed a copy of the Sustainable Development Act,  
9 it's been distributed around here.

10

11 (BRIEF PAUSE)

12

13 CONTINUED BY MR. PETER MILLER:

14 MR. PETER MILLER: Somewhere I had these,  
15 let's see -- oh, here we go. The RCM Tree Centra  
16 questions that I'd requested updates on were 13, please  
17 provide any data, analysis or estimates that are used or  
18 have been used since 2001 that describe and quantify the  
19 indirect benefits referred to to estimate future  
20 benefits. And that had to do with reduced system  
21 infrastructure expenditures.

22 Do you have anything to add to that?

23 THE CHAIRPERSON: Mr. Kuczek...?

24

25 (BRIEF PAUSE)

1                   MR. LLOYD KUCZEK: I do have some  
2 information that I could add to that Dr. Miller.

3                   One of the questions you're looking for a  
4 response for, is whether or not, there was any avoided  
5 costs on our infrastructure in Manitoba. And we met with  
6 our planning people on the gas side and they have a  
7 couple of capital projects which they're planning, which  
8 are -- one (1) is in the Steinbeck area which is for next  
9 year, so we couldn't do anything there to avoid some  
10 costs.

11                   There's another project that they're  
12 looking at in the Winkler/Carmen area and that's in about  
13 two (2) or three (3) years out and those are in the plans  
14 already and we don't think we could achieve enough energy  
15 savings in those targeted markets to achieve any or  
16 achieve or avoid infrastructure costs in Manitoba.

17                   We talked about overall what we could do  
18 and those were the only two (2) projects that they had  
19 identified to us at this point. In terms of a broad  
20 perspective, there wasn't any avoided costs, they didn't  
21 have any plans for infrastructure on the main line.

22                   And so the only thoughts that we had going  
23 forward were that we would continue to have discussions  
24 with them. And if there was isolated areas where they  
25 were planning to spend some dollars, we could look at

1 targeting some DSM efforts. But, that's as far as the  
2 discussions have gone at this point.

3

4 CONTINUED BY MR. PETER MILLER:

5 MR. PETER MILLER: So, in the cost of  
6 conserved energy figure that you give in the updated DSM  
7 Report, there are no infrastructure savings as part of  
8 that?

9 MR. LLOYD KUCZEK: That's correct.

10 MR. PETER MILLER: The next one (1) is  
11 number 14, the very next one (1). It had to do with, you  
12 indicated you'd have to look at your various contracts  
13 for supply, transportation and storage.

14 And the question was: Are there any  
15 constraints through existing contracts would make it  
16 undesirable to save more than a certain amount of gas  
17 because then you would have contracted for too much or  
18 something like that.

19 Or are there any potential beneficial  
20 impacts of gas DSM on those contracts?

21 MR. LLOYD KUCZEK: In terms of the  
22 existing contracts, we talked to our supply side people  
23 and they said that there weren't any constraints and with  
24 regard to the existing contracts, because if anything  
25 they were slightly under what may be -- could be

1 contracted for us.

2                   So they didn't think there was any  
3 implications on that regard. In terms of contracts  
4 beyond that, they would certainly take those into -- they  
5 would take our DSM targets into account in determining  
6 what they should contract for, going into the future,  
7 so..

8                   MR. PETER MILLER: Okay. Thanks for  
9 that. And the next one (1) I have is 16, that maybe  
10 similar to the other one (1).

11                   There's a quote:

12                   Reduced natural gas consumption can  
13 also reduce or defer capital  
14 expenditures on domestic transmission  
15 and distribution facilities. But,  
16 these deferral costs are insignificant.

17                   MR. LLOYD KUCZEK: Yeah, those are the  
18 costs that I've referred to in the first question about  
19 the infrastructure costs in Manitoba and we -- the result  
20 of our discussions with the people in the gas planning  
21 area was, there was no capital costs that we could avoid,  
22 at this point.

23                   MR. PETER MILLER: Thank you. The next  
24 one (1) is 17-B-2, and that's page 2 of 2 on 17. The  
25 question:

1                   "What value is Centra proposing to use  
2                   for the three (3) factors that in your  
3                   formulation..."

4                   Which I guess were the -- what, the  
5                   greenhouse gases, the save things on infrastructure. I'm  
6                   not sure what the -- the third one (1) was.

7                   MR. LLOYD KUCZEK: I could provide you  
8                   with that information. The -- the three (3) costs that  
9                   we're talking about, are related to the primary gas  
10                  costs, that would be avoided, and the -- I could give you  
11                  a levelized cost for that, and that's the twenty-three  
12                  (23) cents per cubic metre for CO2 emissions, where  
13                  you're using one point eight (1.8) cents per cubic metre.

14                  And for transportation, we have a  
15                  different number for commercial, residential and  
16                  industrial. And in the residential sector it's three  
17                  point six (3.6) cents, commercial's three point eight  
18                  (3.8), and I'm quickly looking for -- it's one point nine  
19                  (1.9) for industrial.

20                  And at this point I should mention that  
21                  the numbers provided, when you add those up they won't  
22                  add up to the numbers provided on page 94 of -- for  
23                  avoided cost numbers provided in the natural gas demand  
24                  side management program, the numbers that we used -- we  
25                  provided there had an extra escalation factor of one (1)

1 year in there, so they were 2 percent higher than what we  
2 ended up using.

3 But the -- the values that were used in  
4 the -- for the calculations were the correct values, but  
5 the numbers that got put in the report had an extra  
6 escalation factor added to them.

7 MR. PETER MILLER: Okay, thank you. And  
8 those -- those numbers, do they represent a forward  
9 outlook and any trend -- changes in -- in values for  
10 greenhouse gases and -- and transportation and -- and the  
11 commodity?

12 MR. LLOYD KUCZEK: They have forward  
13 looking prices in them, yes.

14 MR. PETER MILLER: How far forward?

15 MR. LLOYD KUCZEK: Within the planning  
16 horizon for the plant. The natural gas plant, which goes  
17 out to 2017/18.

18 MR. PETER MILLER: Thank you. And the  
19 next one is 19:

20 "Please describe the incentives and  
21 service fees contemplated to encourage  
22 gas DSM."

23 This is derived from a statement, the --  
24 the overview in the -- of the PowerSmart, in which you  
25 indicate there are various strategies, and this is one

1 (1) of the strategies?

2 MR. LLOYD KUCZEK: Yes, in terms of  
3 service fees, we mentioned earlier that we're in the  
4 process of looking at whether or not we would use those.  
5 So it's -- at this stage we couldn't provide you with any  
6 more information than -- it's still a work in progress.

7 In terms of the incentives, in Appendix A  
8 of our PowerSmart Plan, right at the very last page we  
9 provide the incentives which each of the programs, so  
10 it's -- you might have not got to that section, but it is  
11 in there.

12 MR. PETER MILLER: That's the --

13 MR. LLOYD KUCZEK: Then they --

14 MR. PETER MILLER: -- gas plan?

15 MR. LLOYD KUCZEK: Correct.

16 MR. PETER MILLER: Hmm hmm. Thanks for  
17 that. The next one (1) I have under this is I guess it  
18 comes down to the -- the one (1) you've just answered,  
19 number 45, RCM/TREE/CENTRA-45:

20 "Please provide an estimate for a  
21 thousand (1,000) cubic metres of the  
22 values that are referred to in  
23 purchasing natural gas, value of  
24 greenhouse gas emissions and cost of  
25 infrastructure."

1                   This is in a -- in a different format, not  
2 the levelized costs but...

3                   MR. LLOYD KUCZEK:    Correct.  I -- I can't  
4 give you the -- the detailed forecast for our natural --  
5 for our primary gas numbers, or the gas costs delivered  
6 to Manitoba, because that's for commercial sensitivity  
7 reasons.

8                   And I think we've outlined that in some  
9 previous responses to IR's.  I can, however, provide you  
10 with more details on the C02 emissions, but it's  
11 probably better that I actually do that in writing too.

12                   MR. PETER MILLER:   Okay.  I'd appreciate  
13 that.

14                   THE CHAIRPERSON:    So we'll take that then  
15 as an undertaking, Mr. Kuczek?

16                   MR. LLOYD KUCZEK:    Yes.

17  
18 --- UNDERTAKING NO. 44:       CENTRA to provide TREE/RCM  
19                                    details on the C02  
20                                    emissions.

21  
22 CONTINUED BY MR. PETER MILLER:

23                   MR. PETER MILLER:    Appreciating that you  
24 don't want to give the precise figures for your -- your  
25 gas forecast prices, can you give a range?

1 MR. LLOYD KUCZEK: Probably could. This  
2 is outside my area of responsibility. Oh, I couldn't do  
3 it offhand here, no, I would have to consult with some  
4 other people to do that.

5 MR. PETER MILLER: Could you undertake to  
6 do that?

7

8 (BRIEF PAUSE)

9

10 MR. PETER MILLER: Were such figures  
11 supplied in -- in the Wuskwatim Hearing in projecting the  
12 -- the Wuskwatim investment was based on -- on gas as an  
13 alternative fuel in the States, you know, the expected  
14 prices and so on?

15 It seems to me that they --

16 MS. MARLA MURPHY: We'll have to take  
17 your request under advisement, Dr. Miller, and see what's  
18 been provided and what we can provide without getting in  
19 the areas of commercial sensitivity.

20

21 --- UNDERTAKING NO.45: CENTRA to provide TREE/RCM  
22 the range of the prices for  
23 gas forecast price.

24

25 MR. PETER MILLER: Okay, if you can

1 bracket it or can you -- at this time or not, just  
2 indicate a trend up or down?

3 MR. LLOYD KUCZEK: I can say down.

4 MR. PETER MILLER: Oh, how far up?

5 THE CHAIRPERSON: I think, Professor  
6 Miller, Ms. Murphy's indicated that they'll see what they  
7 can do on the -- what's on the public record with respect  
8 to the Clean Environment Commission Hearings; is that  
9 correct, Ms. Murphy?

10 MS. MARLA MURPHY: Yes.

11 MR. PETER MILLER: Okay, thank you.

12

13 CONTINUED BY MR. PETER MILLER:

14 MR. PETER MILLER: The next one is 58D  
15 and we asked for -- there were several standards of homes  
16 for the typical or average home, the PowerSmart gas  
17 standard, the PowerSmart electric standard and the R2000  
18 standard and the question was, how much gas would you  
19 save through these incremental efficiencies?

20 And you gave a dollar figure and my  
21 request was for a volume figure?

22 MR. LLOYD KUCZEK: Yes, and the -- the  
23 volumes are for -- the first one is nine hundred and one  
24 (901) cubic metres. The second is one thousand, one  
25 hundred and eighty (1,180) cubic metres. And the third

1 one is one thousand, two hundred and eight (1,208) cubic  
2 metres.

3 MR. PETER MILLER: Thanks for that. And,  
4 well, the third one, I guess it wasn't an undertaking  
5 because there was a -- a discussion of it, the -- the  
6 feasibility test and -- and you gave an overview in your  
7 direct testimony.

8 I guess I don't know enough about it to  
9 raise any questions. So we will have to see if that  
10 satisfies, Mr. Weiss.

11 MR. DARREN RAINKIE: Sir, I tried to go  
12 back and to find some handy dandy way where this had been  
13 described, but unfortunately over the years in many  
14 proceedings this has moved from a -- a policy statement  
15 into pretty much the feasibility test itself being the  
16 policy.

17 I would note, for your expect, that in  
18 Centra Exhibit 14 we filed three (3) true-up feasibility  
19 tests for the Board's consideration and at the very least  
20 your expert might be able to look through that.

21 There's three (3) pages for each test as  
22 it goes out thirty (30) years. Your expert might be able  
23 to look through that and, you know, and understand how  
24 that test is working.

25 It's an actual example of one of the --

1 it's an expansion test but we use much the same test --  
2 if not the same test in franchising. Certainly I'm  
3 willing to provide some more background to it if you need  
4 that here before your expert comes, but that's an  
5 additional source of information if you so choose.

6 MR. PETER MILLER: Okay. Thank you.  
7 I'll settle for that.

8 Now, I understood Ms. Murphy earlier to  
9 say that you don't consider the Act binding on Centra --

10 THE CHAIRPERSON: She also said,  
11 Professor Miller, that they did not think it was -- that  
12 the PUB was covered either under the regulations. I  
13 believe that's what you said; was it not?

14 MS. MARLA MURPHY: Yes, that's right.

15 THE CHAIRPERSON: And of course, Dr.  
16 Miller, that's an opinion.

17 MR. PETER MILLER: That's an opinion.

18

19 CONTINUED BY MR. PETER MILLER:

20 MR. PETER MILLER: Can I just -- I'm not  
21 sure what's appropriate here. I guess what I'd like is -  
22 - is confirmation of just a few items from this without,  
23 you know, going into a legal interpretation of those  
24 items.

25 Just what -- what does the Act say and the

1 first is the purpose of the Act which is on page 4 of the  
2 handout:

3                   "The purpose of this Act is to create a  
4                   framework through which sustainable  
5                   development will be implemented in the  
6                   Provincial public sector and promoted  
7                   in private industry and society  
8                   generally."

9                   Is that an accurate reading of --

10                   MS. MARLA MURPHY: I guess --

11                   THE CHAIRPERSON: I think Ms. Murphy  
12 would say that the Act speaks for itself in a sense.

13                   MS. MARLA MURPHY: Indeed I would, yes.

14                   MR. PETER MILLER: All right.

15                   THE CHAIRPERSON: We're just all trying  
16 to be helpful here Professor Miller.

17

18 CONTINUED BY MR. PETER MILLER:

19                   MR. PETER MILLER: Then I'd like to and I  
20 guess the cover that you can all read for yourselves  
21 mentions the different elements of the Act.

22                   But, let me flip to the VCR challenge, if  
23 I can figure out where that is.

24                   THE CHAIRPERSON: Dr. Miller, I'm sure  
25 you realize that in making your closing statements, you

1 can make what opinions and views known as you wish.

2 MR. PETER MILLER: I'll certainly do  
3 that. Thanks.

4

5 (BRIEF PAUSE)

6

7 CONTINUED BY MR. PETER MILLER:

8 MR. PETER MILLER: RCM Centra -- RCM Tree  
9 Centra 22, contains the voluntary challenge and registry  
10 program 2003 update. And appended to the back of that,  
11 on page 67, as Manitoba Hydro's sustainable development  
12 policies and principles.

13 Would you agree that in many ways these  
14 resemble the Provincial policies and principles and  
15 guidelines?

16 I could go back to those; they are  
17 schedule (a) and (b) in the Act at pages 19, 20, 21, 22.

18

19 (BRIEF PAUSE)

20

21 MS. MARLA MURPHY: I think Mr. Chairman,  
22 perhaps we'll have to let the document speak for itself,  
23 but, I'm not sure that -- I think what you're asking us  
24 to do is compare what's here to what's in the Act.

25 And I don't want to go through that

1 process of making those kind of comparison.

2

3 CONTINUED BY MR. PETER MILLER:

4 MR. PETER MILLER: All right. In any  
5 case, this policy preceded the Act, which was proclaimed  
6 in '98, passed in '97; in 1993, the corporation adopted  
7 these.

8 So, would you agree that the corporation  
9 was an early responder to the sustainable development  
10 movement in Manitoba?

11 Is this part of the policies positions  
12 that have evolved over the years, Mr. Warden?

13 MR. VINCE WARDEN: Yes, I think we're  
14 talking about Manitoba Hydro now, rather than Centra Gas.  
15 But, yes, I would agree with your statement that we were  
16 one (1) of the early adopters of that philosophy.

17 MR. PETER MILLER: Indeed that was before  
18 you acquired Centra Gas?

19 MR. VINCE WARDEN: You're correct it was.

20 MR. PETER MILLER: And that would explain  
21 why all the references here are to electricity and not to  
22 gas?

23 THE CHAIRPERSON: It may, but that's  
24 again -- the Act speaks for itself. I don't --

25 MR. PETER MILLER: This isn't the Act,

1 this is their own policy, Manitoba Hydro policy --

2 THE CHAIRPERSON: I apologize.

3 MR. PETER MILLER: -- adopted prior to the  
4 acquisition of Centra.

5

6 CONTINUED BY MR. PETER MILLER:

7 MR. PETER MILLER: And has -- does Centra  
8 operate under a different policy than this one (1)  
9 adopted by Manitoba Hydro?

10 Have we yet to have any kind of a formal  
11 adoption of sustainable development principles for Centra  
12 Gas?

13

14 (BRIEF PAUSE)

15

16 MR. VINCE WARDEN: The way we run our  
17 business is guided by a common set of policies. So, to  
18 the extent that all Centra Gas employees are employees of  
19 Manitoba Hydro, I would say that the guiding principles  
20 apply to them equally.

21 MR. PETER MILLER: Thank you. And -- and  
22 so the questions of inter-generational equity and the  
23 stewardship principle, and -- and again, I'm referring to  
24 their own formulation of these.

25 And -- and item 3, integration of

1 environmental and economic decisions says:

2            "To the extent practical, include  
3            environmental costs and economic and  
4            financial analysis."

5            Can you indicate the manner in which  
6 you've done that?

7            MR. VINCE WARDEN: Well I can tell you,  
8 Professor Miller, that all justifications for new -- new  
9 development projects follow the same common process. So  
10 we would be including environmental costs as part of the  
11 decision making process that we follow at Manitoba Hydro  
12 for gas operations, as we do for electricity operations.

13           MR. PETER MILLER: Can you give an  
14 example of a -- of a gas decision that included the  
15 assessment of environmental costs?

16           MR. VINCE WARDEN: Certainly the major  
17 project we're looking at today, the -- to do with  
18 potential for requiring storage, new storage facilities,  
19 takes the environmental considerations of that  
20 acquisition or development fully into -- into account.  
21 That's the one (1) I'm most familiar with, because it is  
22 -- it is a current issue we're dealing with. Beyond that  
23 no other example comes to mind.

24           MR. PETER MILLER: Thanks for that. It's  
25 -- isn't it also true, at least based on the statement at

1 the -- the bottom of page 64 of the VCR, that you have an  
2 environmentally responsible procurement policy?

3 MR. VINCE WARDEN: Yes, we do.

4 MR. PETER MILLER: And this -- this  
5 report, which refers to the Pembina's study for Hydro  
6 Wuskwatim project, indicates that they are trying to  
7 engage in in-house research to determine life cycle  
8 costing techniques, as well as evaluating software, to  
9 assist in purchasing decisions.

10 Is -- is Centra a participant in this  
11 attempt to determine life cycle costing techniques?

12 MR. VINCE WARDEN: To the extent that any  
13 project -- that this would apply to any project of  
14 Centra, yes, yes, Centra would -- Centra is not outside  
15 of this -- this program, so, yes, they would be part of  
16 any such evaluation.

17 MR. PETER MILLER: And, in particular, in  
18 this context though, they -- they link it to procurement  
19 policy. So not necessarily a new installation but, you  
20 know, like what are the advantages of recycled paper over  
21 virgin paper, something like that?

22 MR. VINCE WARDEN: Yes, we have a  
23 corporate purchasing department that serves both  
24 electricity and gas needs of the -- of the Corporation.  
25 So totally integrated -- procurement policies would apply

1 to both segments of our business.

2 MR. PETER MILLER: Thanks for that. Is  
3 there anything that you procure more of than natural gas,  
4 either in volume or value or maybe even weight?

5 MR. VINCE WARDEN: In a normal year I  
6 think gas -- the gas commodity that we purchase from  
7 Alberta would be our largest external purchased --  
8 purchase. In years of drought we purchase an awful lot  
9 of power as well. But in a normal year the gas commodity  
10 would be the largest single purchase of the utility.

11 MR. PETER MILLER: So this would mean  
12 that you're engaging in life cycle costing techniques,  
13 with respect to that procurement?

14 MR. VINCE WARDEN: If I might just back up  
15 on that actually, my last answer. We purchased some very  
16 large equipment -- pieces of equipment that, now that I  
17 think about it, far exceed the cost of gas commodity in  
18 any one (1) year.

19 MR. PETER MILLER: Well that's large if  
20 not the largest on an annual basis?

21 MR. VINCE WARDEN: We'll agree that it's  
22 large.

23 MR. PETER MILLER: All right. And are  
24 you providing the lifecycle costing analysis to that  
25 purchase?

1 (BRIEF PAUSE)

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MR. VINCE WARDEN: I'm not sure, Dr.

Miller, that the purchase of gas commodity would lend itself to a lifecycle methodology. I haven't given it a lot of thought, to tell you the truth.

But on a long-term basis, I think that would probably be true, the -- the annual purchase of -- of natural gas, though I'm not -- I'm not sure just how it would fit in with -- with our lifecycle methodology. So I...

MR. PETER MILLER: Is this because you're at a preliminary stage in -- in developing and applying that methodology? You spoke of a -- perhaps a different answer for the long-term?

(BRIEF PAUSE)

MR. VINCE WARDEN: I think it would be a different answer for the long-term. When we're making long-term decisions with respect to new sources of energy supply, we would look at the -- at the cost and other factors associated with that long-term supply.

But the year-to-year purchases, for example, the contract we have with Nexen now for the

1 supply of natural gas, of course, does not take that into  
2 consideration.

3 MR. PETER MILLER: As -- as you indicate,  
4 the Western Canadian basin might possibly be running  
5 lower than demand and -- and in the rebuttals there was  
6 talk of other sources like liquid natural gas from  
7 offshore presumably.

8 Would the cost apply to that, for  
9 instance, to indicate the extra energy cost from  
10 transportation from Asia, the energy costs of  
11 refrigeration and so on, compared to the Western Canadian  
12 Basin gas; is that the kind of comparative analysis --  
13 lifecycle analysis that you might provide to those two  
14 (2) different sources?

15 MR. VINCE WARDEN: Well, I think we're  
16 talking now about a strictly economic analysis rather  
17 than lifecycle. But, you know, the -- the LNG issue as  
18 it is going to affect Manitoba is yet to be seen.

19 And I think, you know, it's such a small  
20 percentage of the total supply in North America today  
21 that it may evolve over the next decade or so, but  
22 there's a lot that has to happen in that interim period  
23 for it to have any kind of an impact, whatsoever, on  
24 Manitoba.

25 MR. PETER MILLER: Do you see other

1 sources as -- as more significant then, that you might  
2 apply those comparisons to?

3 MR. VINCE WARDEN: Are you talking about  
4 other sources of natural gas?

5 MR. PETER MILLER: Of natural gas, yeah.

6 MR. VINCE WARDEN: Natural gas supply?

7 MR. PETER MILLER: Hmm hmm.

8 MR. VINCE WARDEN: Well, no, our -- our  
9 options are very limited in terms of where we get our  
10 natural gas from. So that -- I -- I don't see that  
11 changing over the -- certainly over the next ten (10)  
12 years or so with respect to our primary source of -- of  
13 natural gas coming from the -- from Western Canada.

14 MR. PETER MILLER: And then there's the  
15 comparison of lifecycle costs between gas and whatever  
16 alternatives there might be?

17 MR. VINCE WARDEN: That's correct. Yes.

18 MR. PETER MILLER: And that might be the  
19 thing that you would extend, say, from the Wuskwatim to -  
20 - to other --

21 MR. VINCE WARDEN: Well, those are the  
22 issues that we would consider when we're looking at the  
23 long-term energy supply for -- for Manitoba.

24 MR. PETER MILLER: Okay. So it's -- it's  
25 in the context of any changes to the long term supply

1 that you might provide this kind of an analysis?

2 MR. VINCE WARDEN: That's where I would  
3 see it applying, yes.

4 MR. PETER MILLER: Okay. Thank you.

5

6 (BRIEF PAUSE)

7

8 MR. PETER MILLER: Mr. Warden has  
9 referred to the importance in making major decisions for  
10 the corporation of applying these environmental  
11 principles, Mr. Kuczek. In your Department you seem to  
12 recognize that a -- the ultimate decision maker is the  
13 customer.

14 You don't try to push one (1) thing or  
15 another on them, but, provide them information and let  
16 the customer choose?

17 MR. LLOYD KUCZEK: Yes, we think that's  
18 important that the customer has the ultimate choice.

19 MR. PETER MILLER: Since the customer is  
20 the decision maker and probably the major one (1) when it  
21 comes to what energy they're going to use, do you provide  
22 anything like the information provided in a life cycle  
23 analysis to the customer?

24

25 (BRIEF PAUSE)

1                   MR. LLOYD KUCZEK:    I'm sorry, Mr. Miller,  
2 I'm just going to ask you to repeat that, just so I make  
3 sure I know what the question was.

4                   MR. PETER MILLER:    Yes, there is an  
5 acknowledgement within the Corporation that life-cycle  
6 analysis including the environmental and social costs of  
7 energy supply are very important and basic information in  
8 making your major decisions.

9                   Would not the same reasoning apply to your  
10 customers who, in a sense, drive whatever decisions you  
11 have to make, they're decisions drive your decisions.  
12 If they choose to have a gas supply then you have to look  
13 for the sources of that supply?

14                  MR. LLOYD KUCZEK:    Yes, we provide them  
15 with the information in a general sense that we could  
16 quantify and I don't think we're providing the  
17 information that you're suggesting and I'm not sure we  
18 could provide that information. We provide them with  
19 information that's relevant to their decision making  
20 process.

21                  But, some of the components you are  
22 probably suggesting are the ones that are in Mr. Weiss'  
23 document.

24                  MR. PETER MILLER:    Or the Pembina  
25 Institute which did a table of the various impacts and

1 quantified it very --

2 MR. LLOYD KUCZEK: No, so to answer you  
3 question directly on that, no we don't provide that  
4 information.

5 MR. PETER MILLER: Would you agree that  
6 there is another way in which economists talk of  
7 providing information through price signals.

8 In other words, you don't swamp your  
9 consumer with tons of information and have them make up  
10 their mind, you internalize some of those costs and then  
11 they respond to the price signal?

12 MR. LLOYD KUCZEK: Yes, if we provide too  
13 much information we'll have the same problem I'll have  
14 with my older brother, he will show me the door and I'll  
15 be gone before I can get to the customer or have the  
16 customer at least listen to me long enough to get the  
17 information I think is relevant for him to make a  
18 decision.

19 Some customers that you're talking about,  
20 would be interested probably in more information than  
21 we're providing.

22 MR. PETER MILLER: Thanks for that. And  
23 for the example of your wonderful family. A little  
24 microcosm here. I certainly appreciate that.

25 And you don't think it would particularly

1 get his attention if you raised his annual gas bill by a  
2 hundred dollars (\$100) through an inverted rate?

3 MR. LLOYD KUCZEK: That would get his  
4 attention.

5 MR. PETER MILLER: Particularly if you  
6 had a message in the flyer indicating why that had  
7 occurred, that you were internalizing some external  
8 costs?

9 MR. LLOYD KUCZEK: If those were the  
10 costs, yes.

11 MR. PETER MILLER: And for the -- for  
12 those who -- who may have problems, you know, arranging  
13 for the -- doing something about it, another insert on  
14 your DSM options would also be helpful.

15 MR. LLOYD KUCZEK: If those costs were  
16 accurate I guess, yes.

17 MR. PETER MILLER: All right. So if the  
18 costs are accurate, and you -- you think that that would  
19 be an effective way of conveying the information without  
20 laying on tomes of environmental assessment?

21 MR. LLOYD KUCZEK: In terms of what's  
22 effective, it really depends on the customer. Price is  
23 one (1) influencing factor, but there's a number of  
24 influencing factors that impact customers and, you know,  
25 you've got your green segment out there that are truly

1 converted already, and certainly they'll be influenced by  
2 information -- information pertaining to environment more  
3 than they would be by price perhaps.

4           And other customers are influenced by  
5 factors such as dollars more than they are by the  
6 environment. There's so many different customers out  
7 there, so when you're trying to influence the customers  
8 you have to think of it from a broad perspective in terms  
9 of what is effective.

10           And using one (1) particular strategy for  
11 all customers isn't necessarily the most effective way of  
12 achieving the energy conservation objectives that we want  
13 to achieve.

14           MR. PETER MILLER: Thanks. Although  
15 Centra, and I'm not sure what your view is of Manitoba  
16 Hydro, are -- are not legally obligated to follow the  
17 directives of the Sustainable Development Act, if I  
18 understood the earlier comment.

19           Nevertheless, on a voluntary basis, they  
20 seem to be adapting a number of principles, such as the  
21 procurement policy. Is that a -- a policy that  
22 government has -- has been pushing?

23           Have you participated in any Government  
24 wide workshops or instructions on -- on procurement  
25 principles and -- and methods?

1                   MR. VINCE WARDEN: I do know that our  
2 purchasing people do collaborate with Provincial  
3 officials, and whether there's been workshops, I -- I'm  
4 not certain, but I -- I suspect there has been.

5                   MR. PETER MILLER: Thank you. Another  
6 way in which sustainability principles work their way  
7 into the Corporation is through your corporate strategic  
8 plan, would you agree with that?

9                   MR. VINCE WARDEN: Yes, I would.

10                  MR. PETER MILLER: And in particular, you  
11 have the objective 7, to be proactive in protecting the  
12 environment and be the leading utility in promoting  
13 sustainable energy supply and service. Would that be an  
14 example?

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

17                  MR. PETER MILLER: And number 10, which I  
18 believe is a relatively new principle:

19                         "Be a leader in implementing cost  
20                         effective energy conservation, and  
21                         alternative energy programs."

22                  Is that another example?

23                  MR. VINCE WARDEN: It is.

24                  MR. PETER MILLER: The Province has  
25 promulgated not only procurement principles, but also

1 financial management and code of practice guidelines  
2 related to sustainable development implementation.

3 Are you familiar with any of these or have  
4 you had any discussions within the Corporation about  
5 financial management guidelines or codes of practice that  
6 implement sustainability?

7

8 (BRIEF PAUSE)

9

10 MR. VINCE WARDEN: Dr. Miller, I'm not  
11 personally familiar with those. There is an area within  
12 the Corporation, however, that has had some direct  
13 involvement in that that I'm aware of. But I don't have  
14 an intimate knowledge of that personally.

15 MR. PETER MILLER: The principle 3 that  
16 we referred to earlier on page 67 was a VCR document.  
17 Again, talks not just about major decisions but to the  
18 extent practical, including environmental costs and  
19 economic and financial analysis.

20 This proceeding is -- looks extensively at  
21 the financial analysis of the Corporation and I don't see  
22 the environmental costing expressed there or -- or maybe  
23 I got lost in the shuffle.

24 Can you point out, in the financial  
25 analysis that you've provided, where economic cost --

1 environmental costing has made its appearance?

2 MR. VINCE WARDEN: Well, yes, it's  
3 embedded in virtually everything we do. And all of our  
4 capital programs take environmental costing into -- into  
5 account when those projects are -- are presented for  
6 approval. We look at all the components of the -- of the  
7 cost which includes environmental considerations.

8 So even though it might not be obvious in  
9 these proceedings it certainly is a background to the way  
10 we do business at Manitoba Hydro, and certainly the whole  
11 DSM programming that we've been talking about in these  
12 proceedings takes into account environmental -- directly  
13 takes into account environmental issues in costing.

14 MR. PETER MILLER: Okay. Thank you. But  
15 I wouldn't find it reflected in -- in any other parts of  
16 the -- of the document, or would I?

17 Are you saying -- well, let me offer one  
18 (1) possibility, that the capital costs of new projects  
19 that you report here, although it doesn't have an  
20 environmental component singled out, nevertheless  
21 represent perhaps some increased costs from observing  
22 environmental management practices?

23 Would that be the type of example you'd  
24 point to outside of DSM?

25 MR. VINCE WARDEN: Well, certainly all of

1 our capital projects, so all the capital programs of  
2 Centra, take into account environmental considerations.

3           The incremental costs associated with that  
4 have not been specifically identified in these  
5 proceedings.

6           MR. PETER MILLER:    So it occurs more at  
7 the approval -- project approval stage than at the  
8 financial reporting and analysis stage?

9           MR. VINCE WARDEN:    Well, the financial  
10 analysis leading up to project approval is where the --  
11 the environmental costing would take place.  Is it  
12 reported on subsequent to project approval; I think may  
13 be your question?  Not specifically, no.

14          MR. PETER MILLER:    Thank you.  I guess  
15 this is for Mr. Wiens, you indicated that you were  
16 responding to basically adopting the rebuttal information  
17 and responding to that?

18          MR. ROBIN WIENS:    Yeah, I will be  
19 attempting to respond to that.

20          MR. PETER MILLER:    Okay.  Thank you.  The  
21 marginal value of gas to consumers that Mr. Weiss  
22 proposed included a number of components which you have  
23 summarized in your direct testimony.

24                 Could you indicate -- I guess there are  
25 two (2) questions.  One -- one is the question of being

1 able to assess the externalities, another is the question  
2 of policy of -- of reflecting them in various decisions  
3 or rates or whatever.

4           Could you summarize where you find  
5 difficulties in the assessing of the externalities?

6           MR. ROBIN WIENS:   In think in some cases  
7 where we found difficulty is that we believe that some of  
8 those factors may be included already in the market price  
9 for natural gas, particularly in latter years, when we've  
10 seen the -- the price of natural gas increase by some 50  
11 percent in real terms, that grants which are extracted by  
12 governments or by private producers are sufficient in  
13 some cases to -- to cover those -- or part -- at least  
14 part of those externalities.

15           I don't think that anybody can question  
16 whether or not these externalities exist. I think there  
17 is the potential that they exist. But do they need to be  
18 reflected over and above the market price of gas is  
19 something that we have a little bit of trouble with.

20           MR. PETER MILLER:   Okay. So you -- you  
21 think that they have been partially internalized in the  
22 last few years and that is part, at least, of the  
23 explanation of the increased cost of gas.

24           What about the remainder; why do you think  
25 it's inappropriate to reflect those in -- in gas prices?

1 MR. ROBIN WIENS: In prices to consumers?

2 MR. PETER MILLER: Yes.

3 MR. ROBIN WIENS: There's -- there's a  
4 number of reasons for that. The particular component  
5 that, you know, we are considering and we do consider in  
6 the development of demand side management programming is  
7 greenhouse gas. We believe and we fully expect that  
8 there will be a more comprehensive federal policy that  
9 will deal with that.

10 And if -- if it is appropriate within the  
11 context of that policy to have a carbon tax, for example,  
12 on the use of all products that contribute to greenhouse  
13 gas, that would be reflected at that point in either the  
14 market price of gas or in taxes that the government  
15 levies on it.

16 And presumably it would be a -- a level  
17 playing field in which natural gas along with other  
18 fossil fuels would be expected to comply.

19 MR. PETER MILLER: Do you see any reason  
20 for Manitoba to adopt a somewhat different policy than,  
21 say, Alberta with respect to reflecting carbon in -- in  
22 prices of fossil fuels?

23 MR. ROBIN WIENS: I think that would be a  
24 matter for the provincial governments to determine.

25 MR. PETER MILLER: Hasn't the provincial

1 government provided certain guidance in this respect in  
2 the guideline about the efficient use of resources and  
3 full-cost accounting and pricing of resources to enhance  
4 conservation and so on?

5 I mean, don't you already have the  
6 marching orders or -- or you're claiming that that's not  
7 for you, that's for someone else?

8 MR. ROBIN WIENS: No. I think we've  
9 interpreted those guidelines to the extent that we've --  
10 we've developed natural gas demand side management  
11 programs and we're attempting to extract as much of the  
12 economic potential for conservation as we can through  
13 that type of programming.

14 MR. PETER MILLER: But that doesn't  
15 address the -- the pricing issue. I think one of your  
16 principles as well as the sustainable development act  
17 refers to resource pricing. So you indicate you've done  
18 it in -- in DSM but not in resource pricing and, in fact,  
19 you think it would be improper to do it in resource  
20 pricing?

21 MR. ROBIN WIENS: It's not directly  
22 resource pricing but to the extent that -- that Mr.  
23 Kuczek's programs are funded by the revenues provided to  
24 Centra Gas through the price they pay for natural gas,  
25 then it is, albeit not directly, it is indirectly

1 reflected or will be indirectly reflected in the price of  
2 natural gas to the customers.

3 MR. PETER MILLER: As a cost of DSM, but  
4 not reflecting the externalities which you acknowledge  
5 remain out there?

6 MR. ROBIN WIENS: Not reflect explicitly  
7 in price.

8

9 (BRIEF PAUSE)

10

11 MR. PETER MILLER: I believe that you  
12 indicated two (2) problems with reflecting it in price,  
13 one (1) would be harm for Manitobans going it alone for  
14 the Manitoba customers, and the other, it would be -- and  
15 this, we're talking about the inverted rate way of  
16 reflecting it.

17 That is in a tail block, and having a  
18 lower initial block rate. And you -- you thought that  
19 that could be harmful too, or send a wrong signal. Can  
20 you elaborate on that?

21 MR. ROBIN WIENS: It would depend on how  
22 you design the inverted rate structure, Dr. Miller. If -  
23 - if you design the inverted rate structure such that  
24 only 10 or 20 percent of the customers go into the final  
25 block, then I would say, yes, it has the potential to be

1 sending the wrong price signal, because now you're  
2 pricing -- you would be pricing gas through a majority of  
3 the customers, at -- under the cost of procuring that  
4 gas.

5           If -- if it were designed in such a way as  
6 to capture most of the consumers, you may find -- you may  
7 find that the initial block has to be priced so low that  
8 it wouldn't appear prudent either. I'm not saying that -  
9 - if you could -- if you could assure that -- first of  
10 all, that the externalities did in fact exist.

11           Second, if the externalities were  
12 adequately analysed and you'd come up with an appropriate  
13 value for them.

14           And thirdly, that Centra, as a local  
15 distribution utility, was the appropriate vehicle for  
16 delivering the investments regarding externalities. It  
17 may be quite possible that we could determine an inverted  
18 rate that would minimize that wrong price signal in the  
19 first block.

20           But without, you know, without doing the  
21 analysis and without -- without knowing that, there would  
22 be some potential that we would be indeed sending the  
23 wrong price signal to customers who were -- didn't get  
24 out of the first block.

25           MR. PETER MILLER:     The West Coast

1 Utilities in California, for example, I think take 60  
2 percent of the average residential, for example, as the  
3 base -- what they call a base line rate, and then charge  
4 you more if -- if you do that.

5           So that, presumably, is designed to  
6 capture most customers with that. And -- and, Mr. Weiss  
7 recommended something else, 80 percent of R2000 I think.

8           Would those set the price level of the  
9 initial block at -- at the right point to capture most of  
10 the customers?

11           MR. ROBIN WIENS: I -- I can't respond to  
12 that question off the top of my head, Dr. Miller. I  
13 mean, as I stated, without doing the analysis, you can't  
14 really be sure that you're finding the right first block.  
15 We would have to take a look at the analysis.

16           MR. PETER MILLER: Hmm hmm.

17           MR. ROBIN WIENS: You'd have to take a  
18 look at the customer data.

19           MR. PETER MILLER: Have you engaged in  
20 such a study?

21           MR. ROBIN WIENS: No, we have not.

22           MR. PETER MILLER: Are you prepared to  
23 engage in such a study?

24           MR. ROBIN WIENS: I'm not going to say at  
25 this point, myself, that we're prepared to engage in such

1 a study. I think we're at a -- we're at an early stage  
2 of the debate on these matters, and -- and that to the  
3 question of how you would design a rate to capture those  
4 externalities appropriately, is probably not something  
5 that's going to happen in this Proceeding.

6 MR. PETER MILLER: Well I think it's not  
7 our position that -- that we have presented anything  
8 definitive on -- on that score, because for example,  
9 there are many other things that were scoped in the  
10 Pembina Study. But I guess that's not my position to say  
11 that now.

12 So there are two (2) -- at least two (2)  
13 studies that would be appropriate if you were to consider  
14 Centra Gas to be committed, whether voluntarily or  
15 legally or whatever, to the idea of resource pricing that  
16 reflects environmental costs, external environmental  
17 costs. And one (1) has to do with assessing those costs,  
18 sort of Pembina Study type.

19 And -- and I see that the -- this is being  
20 done. And I guess my question is, is Centra accounting  
21 participating in that -- in that research to apply  
22 environmental costing to items procured?

23 It's going on somewhere in the Corporation  
24 and the question is, whether Centra Gas is a participant  
25 in that study?

1                   MR. VINCE WARDEN:    To the extent that  
2 Centra Gas is totally integrated with Manitoba Hydro,  
3 yes, it is.

4                   MR. PETER MILLER:    And would this mean  
5 that -- that the sort of exercise that Pembina undertook  
6 for this proceeding would be expanded on in looking at  
7 natural gas consumption?

8                   MR. ROBIN WIENS:     We don't have any  
9 current plans to do that.

10                  MR. PETER MILLER:    Someone in the  
11 Corporation is doing it for items procured by the  
12 Corporation and you've indicated that a very large item  
13 procured by the Corporation is gas?

14                  MR. VINCE WARDEN:    Yes.  And I think our  
15 discussion -- at least I thought it had, Professor  
16 Miller, I thought we'd settled on long-term versus short-  
17 term and there's no doubt this is a consideration for  
18 long-term procurement of energy supply.

19                  MR. PETER MILLER:    The other -- the other  
20 side though of the procurement -- I mean, the additional  
21 feature is the -- the pricing and you're not planning on  
22 engaging in the study from that standpoint either?

23                  MR. VINCE WARDEN:    No, as Mr. Wiens  
24 pointed out, not at this time.  No.

25                  THE CHAIRPERSON:    Mr. Warden, if -- just

1 to check my thinking on this, right now, depending on the  
2 person -- people who have testified before this panel,  
3 some would prefer that Centra be regulated rate of return  
4 rate of rate base and the others on a cost of service  
5 basis.

6                   But in either case, if you began pricing  
7 in externalities and environmental factors into that,  
8 factors that were outside of the Corporation's costs,  
9 you'd have tension, wouldn't you, with either a cost of  
10 service of service or rate of return rate base method?

11                   MR. VINCE WARDEN: Yes. I think some  
12 kind of an allowance would have to be made to recognize  
13 that additional costs. It wouldn't be captured in the  
14 rate base rate of return methodology.

15                   We could probably more easily accommodate  
16 it under cost of service.

17

18 CONTINUED BY MR. PETER MILLER:

19                   MR. PETER MILLER: Moving on to another  
20 but related item is the use of total resource costs  
21 versus a societal cost test or, in California they call  
22 it total resource cost, societal version.

23                   You have made a choice as a Corporation to  
24 stick with the utility plus customer perspective rather  
25 than the societal perspective. Can you indicate why

1 you've made that choice?

2 MR. LLOYD KUCZEK: We actually discussed  
3 internally, not extensively, whether or not we should be  
4 using the societal test. But we came to the conclusion  
5 that it wouldn't likely impact what we would be doing  
6 anyways in terms of the conservation efforts because a  
7 lot of the energy efficient measures that are available  
8 in the marketplace are generally not at the -- at the  
9 margin.

10 And those that are at the margin we're  
11 pursuing anyways or promoting. So the only difference  
12 between a societal -- societal test, from what -- as it's  
13 used in the market right now, in the industry and our  
14 total resource costs would be taking into account  
15 environmental considerations and some other  
16 considerations.

17 And as I understand it, in the other  
18 jurisdictions what they do is they've come to the  
19 conclusion it's too difficult to measure those and they  
20 add a premium on to the benefits side of the total  
21 resource equation and it's in the range of 10 percent.

22 So what we're effectively doing by using  
23 the value of CO2 emissions is moving in that direction  
24 and our value's in the range of about 6.5 percent, and I  
25 don't believe California -- and I don't know for sure

1 about Argon, but, I think their value for CO2 emissions  
2 is included in the environmental component, in that 10  
3 percent.

4 I couldn't say that for sure, but, we  
5 we're trying to find out. But that was our understanding  
6 from the documents that we obtained.

7 So we think we're pretty close to what  
8 they're doing anyways. And given that in the context  
9 that we are perusing those energy efficient measures that  
10 are at the margin, we don't think there would be any  
11 impact if we used the societal test.

12 MR. PETER MILLER: Okay. You are aware  
13 from our evidence that this E-3 methodology in California  
14 has attempted to document the avoided costs and provide  
15 spreadsheets by which any Utility can plug it in.

16 MR. LLOYD KUCZEK: Yes, we're familiar  
17 with that.

18 MR. PETER MILLER: And you're also aware  
19 that the step rate difference -- from our evidence that  
20 step rate difference is 20 percent between the first  
21 block and the second block at least in -- I think that's  
22 PG territory?

23 There's a 20 percent difference. So  
24 that's higher than the 10 percent that you mentioned?

25 MR. LLOYD KUCZEK: That would be, but I

1 didn't recall that.

2 MR. PETER MILLER: Okay.

3 MR. ROBIN WIENS: Dr. Miller, I might  
4 just add to that response. From reviewing the materials  
5 that you supplied in response to our information  
6 requests, yes, we were able to determine that step rate  
7 difference between the first and second block in  
8 California is 20 percent.

9 We were also able to determine that as far  
10 as we could read, and I did spend some time trying to  
11 track down some more documents on the internet with  
12 limited success, that the California jurisdiction is  
13 required as part of the standard practice, that these  
14 factors be taken into account in designing conservation  
15 programs.

16 And possibly incentives for self  
17 generation on the electric side. But I was not able to  
18 find anywhere where the environmental externalities were  
19 to be applied directly to the rate.

20 I acknowledge that there is an inverted  
21 rate in California, it is a tiered rate. It is based on  
22 long run marginal costs, but, I'm not able to determine  
23 the extent, if any, to which these externalities are  
24 reflected in that marginal long term cost, as it applies  
25 to the rate design in California.

1 THE CHAIRPERSON: Professor Miller,  
2 before we go any further, would this be a suitable time  
3 to have a break?

4 MR. PETER MILLER: Sure.

5 THE CHAIRPERSON: Thank you.

6

7 --- Upon recessing at 2:55 p.m.

8 --- Upon resuming at 3:10 p.m.

9

10 THE CHAIRPERSON: Do we need Mr. Rainkie,  
11 Ms. Murphy?

12 MS. MARLA MURPHY: No. I believe if you  
13 start without him, he'll join us shortly.

14 THE CHAIRPERSON: Very good. Okay.  
15 Professor Miller...?

16

17 CONTINUED BY MR. PETER MILLER:

18 MR. PETER MILLER: Yes. There was  
19 testimony at -- or reply to RCM/TREE/CENTRA-10, you  
20 compared the qualifications for meeting the PowerSmart  
21 electric home standard and natural gas home standard and  
22 looking at -- at this, a -- a major difference is that  
23 the electric home has an additional two (2) by six (6) R-  
24 20 construction, an additional inch and a half (1 1/2) of  
25 rigid insulation on the outside; is that correct?

1 MR. LLOYD KUCZEK: That's correct, Mr.  
2 Miller.

3 MR. PETER MILLER: So you have the same  
4 label PowerSmart home but two (2) different standards  
5 that are covered by it?

6 MR. LLOYD KUCZEK: That's correct.

7 MR. PETER MILLER: Did you ever consider  
8 distinguishing, say, PowerSmart gold and PowerSmart  
9 brass, or some other way of --

10 MR. LLOYD KUCZEK: Actually, we still  
11 talk about it -- we're concerned about too many labels  
12 actually in Manitoba right now. We've got the R-2000,  
13 we've got PowerSmart, and, you know, there's the lead  
14 label that's out there right now. So we are currently  
15 discussing where we should go in Manitoba and those sort  
16 of discussions with regards to gold and silver still  
17 might get used at some point, so -- but not right now.

18 MR. PETER MILLER: Thank you. At  
19 RCM/TREE/CENTRA-58(G), you gave an explanation as to why  
20 there are these two standards, that is why the gas  
21 standard isn't up to the electric standard.

22 And then this is quoted in the -- in the  
23 question:

24 "Industry felt strongly that higher  
25 levels for wall insulation were not

1 cost justified, and therefore not  
2 required for the gas heated home."  
3 And I asked for the data that that  
4 judgment was based on, and you offered it in your -- in  
5 your response on the next page.  
6 MR. LLOYD KUCZEK: That's correct.  
7 MR. PETER MILLER: And the -- the  
8 response was:  
9 "What's the -- what's the difference."  
10 Can you just indicate the -- the figure  
11 there? Well I'll state it, and you tell me whether it's  
12 right or not.  
13 It would -- the incremental savings  
14 associated with implementing this measure would be a  
15 hundred and twenty (120) a year, based on '03/'04 gas  
16 prices; does that sound right? 58(G) at page 4 of 4.  
17 MR. LLOYD KUCZEK: I'm there, I'm just  
18 reading it, sir.  
19  
20 (BRIEF PAUSE)  
21  
22 MR. LLOYD KUCZEK: I believe that savings  
23 would be based on -- and I would -- this would be subject  
24 to check, based on the savings from the standard built  
25 home at that point, if you added rigid insulation.

1 MR. PETER MILLER: Oh.  
2 MR. LLOYD KUCZEK: One second, Mr.  
3 Miller, I'll just check.  
4 MR. PETER MILLER: Yeah.  
5  
6 (BRIEF PAUSE)  
7  
8 MR. LLOYD KUCZEK: It's based on the base  
9 line, yes. A baseline home.  
10 MR. PETER MILLER: Okay. Yeah, not  
11 incremental over the -- all right.  
12 And that the payback and the comparison is  
13 twenty (20) to thirty (30) years?  
14 MR. LLOYD KUCZEK: Yes.  
15 MR. PETER MILLER: Now you just testified  
16 that at the margin, you know, adding 10 percent is not  
17 going to make any difference as to what qualifies.  
18 Wouldn't adding 10 percent to the rates  
19 that could be saved on, make a difference in this case?  
20 I mean, this is -- twenty (20) to thirty (30) years is  
21 regarded as -- as a marginal payback presumably, because  
22 no one wants to wait that long.  
23 MR. LLOYD KUCZEK: Correct.  
24 MR. PETER MILLER: If the tail block of  
25 gas costs 10 percent more, the savings would be more;

1 right? If -- if you avoided that quantity of gas?

2 MR. LLOYD KUCZEK: I'm not disputing that  
3 it doesn't impact the total resource cost calculation.  
4 It -- it just doesn't impact the -- the measures that --  
5 and the -- the targets that we would have in our  
6 PowerSmart Plan, because the measures that are at the  
7 margin we're pursuing anyways.

8 So if we added 10 percent to the benefits,  
9 on the total resource cost calculation it's not going to  
10 change the measures that we're pursuing.

11 But I'm not sure if that answers your  
12 question?

13 MR. PETER MILLER: Well, I guess there  
14 are two (2) questions. One (1) -- one (1) is what sort  
15 of measures you -- you target, based on TRC, and the  
16 other is how much incentive you provide to help people  
17 reach that target.

18 MR. LLOYD KUCZEK: The incentive that we  
19 provide is determined more -- more by the rate impact  
20 measure test, than it is the total resource cost measure.

21 In the rate impact measure, the cost of  
22 gas isn't both the numerator and denominator in that  
23 calculation, so it doesn't impact that calculation.

24 MR. PETER MILLER: I take it the  
25 situation you're describing with the builders though, is

1 that you gave a Power Point Presentation about how much  
2 savings could be increased if you added the -- the rigid  
3 insulation and you calculated the payback and they said,  
4 that's not enough to make us change our minds and we  
5 won't support a higher level PowerSmart?

6 MR. LLOYD KUCZEK: Yeah, their concerns  
7 is from the marketing side. And for them to be able to  
8 market the product to the consumer they feel that you  
9 have to have a reasonable payback period.

10 And when it comes to consumers just  
11 generally speaking, you know, if you're in the range of  
12 beyond ten (10) years it's very difficult to convince  
13 consumers, even at ten (10) year payback is very  
14 difficult to convince consumers.

15 And so their opinion was you needed to  
16 reduce that to some lower number for them to be able to  
17 market the product to consumers. And in their markets,  
18 even that's more -- the barriers are even more difficult  
19 to overcome because we're competing with other things  
20 that seem to have a higher priority with consumers  
21 purchasing homes and even in my own personal case, a lot  
22 of spouses prefer to have hardwood floors and ceramic  
23 tiles and amenities like that, as opposed to caring about  
24 the energy efficiencies.

25 MR. PETER MILLER: Is that the way that -

1 - I won't get into that. Is that the way you think that  
2 Kyoto should be met and so on?

3 I mean, isn't there something that could  
4 be done by those who set standards, whether they are  
5 legislative standards or honorific standards with an  
6 award attached?

7 Wouldn't that make a -- shouldn't they  
8 reflect the savings, not just the preference for a  
9 counter top or a cabinet when you buy the house?

10 MR. LLOYD KUCZEK: Yes, and we're working  
11 with the Federal Government, they got an Ener-guide  
12 rating, you're familiar with the Ener-guide rating. So  
13 it does label homes in that regard.

14 And I think their objective was to try to  
15 use that labelling to promote the idea that energy --  
16 there is a difference in terms of the energy efficiency  
17 of homes and people will become more aware of that and  
18 take that into account in their home purchase decisions.

19 MR. PETER MILLER: If however, the rate  
20 actually embodied that incremental cost, that might make  
21 a difference, presumably to payback would change,  
22 wouldn't it. I guess this is Mr. Wiens who could respond  
23 to that one (1)?

24 MR. ROBIN WIENS: Well, I can't respond  
25 to whether or not the payback would change, I guess

1 directionally it would have an impact. But, I'm not  
2 familiar with that program and the costs and benefits  
3 involved in it, so I can't say to what extent it would  
4 change.

5 MR. PETER MILLER: Okay. If that  
6 presentation had been made to the builders with a  
7 different rate structure in place with a 10 percent  
8 premium on the tail block, I'm wondering if you could  
9 recalculate the figures you presented to them to show it  
10 under those different circumstances?

11 MR. LLOYD KUCZEK: I don't think a 10  
12 percent change in the rates would make that much of a  
13 difference because generally they're talking in broader  
14 terms or -- broader is not the right term, but, they're  
15 looking in categories of what would be reasonable to --  
16 in terms of payback periods that they can sell their  
17 consumers.

18 So they're talking in terms of four (4)  
19 years to six (6) years something like that, we can sell  
20 to our consumers. If it's less than three (3) years  
21 that's really easy. You start to get ten (10) years,  
22 Guys, don't even waste my time is the way they talk to  
23 us. And so that's the kind of range they're talking  
24 about.

25 So we get into detailed calculations of

1 adding in an extra 10 percent in their minds or the  
2 discussions with them, it wouldn't have mattered.

3 MR. PETER MILLER: Did these different,  
4 well I guess, the question is why the electric homes? I  
5 mean don't people prefer hardwood floors to live in  
6 electric homes, too? What's the difference?

7 MR. LLOYD KUCZEK: There's a couple of  
8 differences to recognize here. One (1) is that with  
9 electric homes, most electric homes are built in the  
10 rural areas and they tend to be smaller in size.

11 So adding the rigid insulation -- the  
12 incremental costs of our PowerSmart electric home was --  
13 I think had a payback period of around ten (10) years and  
14 the gas home was less than that.

15 But, the other factor to take into account  
16 is the home builders themselves. They're the sales people  
17 for us and when I talked about partnerships earlier this  
18 morning those partnerships are very important to us.

19 The residential loan program, the success  
20 of that program has a lot to do with the rate retailers  
21 that are supporting us, and there's a real synergy there  
22 because they see their -- an advantage to them as well as  
23 ourselves in promoting that program because they sell  
24 more products, whatever that product is.

25 With the homebuilders, if we -- you need

1 to convince them to participate in the program too for it  
2 to be successful. And unless we could get them onboard -  
3 - there's a different group in Winnipeg than there is  
4 externally, in the rural areas. Some areas like Dauphin,  
5 they promote R-2000; there's a lot of homes that are  
6 built to R-2000 there.

7                   So, our challenge is really to convince  
8 the homebuilders to get on side and -- and there -- there  
9 is a different group in Winnipeg than there are in rural  
10 Manitoba.

11                   MR. PETER MILLER: Oh, thanks for that,  
12 that's illuminating. It's -- it's a different group of  
13 builders and -- and they're basically in Winnipeg?

14                   MR. LLOYD KUCZEK: That's correct.

15                   MR. PETER MILLER: Yeah. For standard  
16 houses though, is there a difference between electrical  
17 construction and -- and gas construction; never mind your  
18 -- your PowerSmart standard but the standard home; is the  
19 standard electric different than the standard gas?

20                   MR. LLOYD KUCZEK: Generally speaking,  
21 there is differences. In rural areas you'll see  
22 bungalows, smaller homes but bungalows. In Winnipeg you  
23 get more two (2) storeys and a lot of Cab-overs these  
24 days. So when we did the baseline we used the Cab-over  
25 as the typical design in Winnipeg and bungalow in rural

1 Manitoba.

2 MR. PETER MILLER: In -- see where this  
3 is -- this is the PUB/CENTRA-133, you have a heating  
4 chart, a comparison of heating by different fuels, and it  
5 shows nine sixty-seven (967) for natural gas with a high-  
6 efficiency furnace and a thousand ninety-six (1,096) for  
7 an electric furnace or baseboards, correct?

8 MR. LLOYD KUCZEK: Could I just get you  
9 to repeat those two (2) so I get the right --

10 MR. PETER MILLER: Nine sixty-seven (967)  
11 is the high-efficiency gas furnace annual heating bill  
12 and a thousand ninety-six (1,096) for an electric  
13 furnace.

14 MR. LLOYD KUCZEK: Correct.

15 MR. PETER MILLER: Okay. Now, you were  
16 talking about different models, are -- are we talking  
17 about the same -- heating the same home for these two (2)  
18 amounts or -- or not?

19 MR. LLOYD KUCZEK: In this case, this is  
20 the same home. I think this is about a twelve hundred  
21 (1,200) square foot home. The basis of this comparison  
22 is to give consumers the relative comparison between the  
23 fuels so --

24 MR. PETER MILLER: So it's apples to  
25 apples?

1 MR. LLOYD KUCZEK: Correct.  
2 MR. PETER MILLER: Yeah. Okay. And  
3 similar levels of insulation?  
4 MR. LLOYD KUCZEK: Yes.  
5 MR. PETER MILLER: From nine sixty-seven  
6 (967) to a thousand and ninety-six (1,096) doesn't look  
7 like that much of a -- of a difference, you know, to  
8 warrant the -- the basic differences in -- in  
9 construction standards.  
10 I'm wondering to what extent this is based  
11 more on historic prices than current prices, which I  
12 guess gas was a lot cheaper?  
13 MR. LLOYD KUCZEK: My understanding is we  
14 update this every so often and I'm not sure when it was  
15 updated last but it's usually fairly -- yeah, well, this  
16 is going into effect, so it should be based on the prices  
17 at the time it was published.  
18 MR. PETER MILLER: Yes. What I'm seeking  
19 is an explanation of why you -- you have this sort of  
20 cultural difference between gas builders and -- and  
21 electric builders, and -- and if it -- part of the  
22 explanation may be that the sense of what is an  
23 appropriate home for gas builders was formed in an  
24 earlier era, when gas was a lot cheaper, because the  
25 current price differential is not great?

1                   MR. LLOYD KUCZEK: No. But if you -- if  
2 you wanted some explanation of the differences in the  
3 nature of the builders -- I hate to bring my family into  
4 it again, but -- my uncle is a builder in -- in the rural  
5 areas and -- and he was more concerned about what was  
6 good for the customer.

7                   The -- the builders in Winnipeg are really  
8 driven by -- it's a really -- a highly competitive market  
9 and they're more interested in business, I would suggest  
10 -- I wouldn't want to be quoted on that to the builders -  
11 - than they are in the interest of the consumers.

12                  MR. PETER MILLER: So you think basically  
13 it requires the Province to show some backbone and...

14                  MR. LLOYD KUCZEK: Is that a carrot?

15                  MR. PETER MILLER: You don't have to  
16 answer that.

17                  Okay, the basic charge for the SGS  
18 consumers is ten (10) bucks, right?

19                  MR. LLOYD KUCZEK: Yes.

20                  MR. PETER MILLER: And the basic charge  
21 for electric consumers, residential consumers, is six and  
22 a quarter (6 1/4) I think?

23                  MR. ROBIN WIENS: That's correct.

24                  MR. PETER MILLER: Are they meant to  
25 cover roughly the -- the same things, meter reading and

1 that sort of thing?

2 MR. ROBIN WIENS: Yes, they are.

3 MR. PETER MILLER: Why -- why the  
4 difference?

5 MR. ROBIN WIENS: The difference is  
6 partly historical, in that -- in that they evolved over  
7 separate lives until 1999.

8 But I can tell you that on the electric  
9 side they -- they basically have been intended to capture  
10 -- not all of the customer related costs, but as much of  
11 them as -- as our concern with customer acceptability  
12 would allow us to collect in a fixed monthly charge.

13 And that I believe the same principles  
14 that are applied on -- on the gas side, although -- and  
15 probably they're collecting a similar proportion of the  
16 total customer related costs, as we're collecting on the  
17 electric side.

18 I think on the electric side the basic  
19 charge picks up somewhere in the order of 35 to 40  
20 percent of the fixed costs for the SGS customer on the  
21 gas side, it's a pretty similar percentage.

22 MR. PETER MILLER: Thank you. The -- the  
23 Board gave you a series of scenarios, which I think you  
24 went through -- Ms. Derksen went through, of loading the  
25 different amounts into the basic charge and so on, demand

1 charges and that kind of thing. And we asked a question  
2 with respect to that exercise about the expected impacts  
3 on natural gas conservation of the different scenarios  
4 that the Board had -- had posed to you.

5                   Your answer was what if you remove from  
6 the volumetric portion of the rates to the fixed portion  
7 of the rates, what is the expected impact on  
8 conservation?

9                   MR. ROBIN WIENS: Well, I think you could  
10 say directionally, that the lower the price on the  
11 volume, the -- the less likely the customer is to  
12 conserve.

13                   I don't think we can answer that  
14 quantitatively, but directionally that would be the  
15 response. There might be some other impacts that might  
16 actually have a positive effect on conservation of gas,  
17 people note, well, we've got a fifteen (15) or an  
18 eighteen (18) or a twenty-five dollar (\$25) basic monthly  
19 charge for gas, I'm not going to get connected to gas,  
20 I'll take electricity. So they'll conserve gas but  
21 they'll use electricity.

22                   MR. PETER MILLER: Which you don't want  
23 as a Corporation?

24                   MR. ROBIN WIENS: If it's worth it to the  
25 customer, you're welcome to use it.

1 MR. PETER MILLER: Now you're engaged in  
2 a study due in six (6) weeks or so, on the basic monthly  
3 charge. I think you talked about it, Ms. Derksen.

4 And I don't recall as a part of the study,  
5 the impacts on conservation; was that part of the study  
6 or not?

7 MS. KELLY DERKSEN: Mr. Miller, or, Dr.  
8 Miller, no, it wasn't something that we had contemplated  
9 as part of meeting the requirement of the directive, the  
10 directive was to undertake to review the level of the  
11 basic monthly charge and the appropriateness at the ten  
12 dollars (\$10), or -- or some other amount, but  
13 conservation was not something that was directly  
14 considered in that directive.

15 MR. PETER MILLER: Is that something that  
16 you could at this point add to the study?

17 MR. ROBIN WIENS: It would be somewhat  
18 difficult at this stage. We don't have a quantitative  
19 model that would allow us to actually specify what the  
20 impacts are, we can only specify them directionally.

21 MR. PETER MILLER: So it might be cutting  
22 this paragraph here and pasting it into your report,  
23 about the -- the directional impact?

24 MS. KELLY DERKSEN: Probably, likely,  
25 yes.

1 MR. PETER MILLER: I don't know if it's  
2 my place to recommend, but I think that might be a good  
3 item to include.

4 Okay. In Mr. Weiss' testimony on page 28,  
5 he lists a number of measures from the Utilities in his  
6 experience have used to address the needs of low income  
7 customers. They're enumerated a) through f) there.

8 And you earlier indicated that you are  
9 hiring someone who will be developing programs for low  
10 income customers and First Nation folks?

11 MR. LLOYD KUCZEK: That's correct.

12 MR. PETER MILLER: Will that person be  
13 looking at the range of options that are presented by Mr.  
14 Weiss?

15 MR. LLOYD KUCZEK: Yes, I intend to give  
16 her a copy of this document.

17 MR. PETER MILLER: Thank you. Including  
18 possible rate measures, you know, income adjusted rates  
19 and things of that sort?

20 MR. LLOYD KUCZEK: All I can say at this  
21 point is I would ask her look at it. I couldn't say what  
22 we'll be doing.

23 MR. PETER MILLER: No, not what you would  
24 do, but, that would be part of the review?

25 MR. LLOYD KUCZEK: Yes, I believe so.

1                   MR. PETER MILLER:    Okay.  Thank you.  I'm  
2 very pleased with the announcement that you did make  
3 earlier on that.

4                   I think earlier today you indicated that  
5 most of your homeowner loans or most of your home  
6 improvement loans, I'm not sure -- your energy loans are  
7 taken out by gas customers?

8                   MR. LLOYD KUCZEK:    That's correct.

9                   MR. PETER MILLER:    Did you use a 98  
10 percent figure?

11                  MR. LLOYD KUCZEK:    It wasn't when we  
12 first started the program, but, when we looked at it last  
13 year 98 percent of the -- yes -- that's the -- I don't  
14 know if it was by customer or the -- I think that was  
15 based on the -- where the savings are coming from, from  
16 an energy perspective.

17                  MR. PETER MILLER:    Okay.  Oh, okay.  So  
18 that wasn't the uptake by customers, but the actual  
19 energy savings?

20                  MR. LLOYD KUCZEK:    Yes, where -- what  
21 they're using the dollars for in terms of saving energy  
22 and that I'll give you an example.

23                  If they put in -- or used the loans to put  
24 in a high efficiency furnace that would be towards  
25 reducing natural gas consumption.



1 for your responses.

2 MS. MARLA MURPHY: Mr. Chairman, just  
3 before you move on I might indicate that Mr. Kuczek is in  
4 a position to respond to the Undertaking that you had  
5 asked him earlier today about the amount of those loans  
6 that were outstanding currently.

7 THE CHAIRPERSON: Yes, Mr. Kuczek?

8 MR. LLOYD KUCZEK: The amount outstanding  
9 right now is -- I'm not sure if you care about the exact  
10 figures, but, it's 31 million and I could give you the  
11 other figures that follow that, but, that gives you the  
12 ballpark number.

13 It's a little lower than what I would have  
14 thought and I asked a few more questions. One of the  
15 reasons is that the amount that I mentioned, the 65  
16 million includes all approved loans, so there's a  
17 substantial figure or amount of dollars that isn't in our  
18 books yet.

19 This is what's in our system, at this  
20 point.

21 THE CHAIRPERSON: That's fine. Thank  
22 you. What would be the current annual volume, just  
23 approximately, of, say, new loans in twelve (12) months?

24 MR. LLOYD KUCZEK: In terms of the dollar  
25 value?

1 THE CHAIRPERSON: Just approximately.  
2 Closest 5 million will do.  
3 MR. LLOYD KUCZEK: Oh. 10 million I'd --  
4 ten (10) to 20 million, somewhere in that range.  
5 THE CHAIRPERSON: So it's been pretty  
6 even then since the program began?  
7 MR. LLOYD KUCZEK: It's fairly even.  
8 There have been some periods where it slows down.  
9 Usually in the summertime it slows down, when people are  
10 going off to their cottages.  
11 THE CHAIRPERSON: Thank you. Mr.  
12 Saxberg, in light of our scheduling difficulties when we  
13 come to Monday and if you don't mind very much, I think  
14 we'll begin with you if that's all right, if you could  
15 start your cross-examination of this Panel.  
16 MR. KRIS SAXBERG: I don't have a problem  
17 with that.  
18 THE CHAIRPERSON: Okay. Thank you.  
19 MR. KRIS SAXBERG: And I presume you want  
20 me to go until four o'clock then?  
21 THE CHAIRPERSON: Yes.  
22  
23 CROSS-EXAMINATION BY MR. KRIS SAXBERG:  
24 MR. KRIS SAXBERG: Good afternoon, Panel.  
25 I'll begin with the Customer Education Report, so perhaps

1 you could turn that up.

2

3

(BRIEF PAUSE)

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MR. KRIS SAXBERG: My clients were grateful for the opportunity that you afforded them with respect to your consultation.

The last consultation conference call was on May 24th, 2005; is that right?

MR. LLOYD KUCZEK: Correct.

MR. KRIS SAXBERG: And I'm looking at the minutes which are included in Appendix A, under the heading Conference Call Consultation Minutes, and I'm looking at the draft minutes dated May 24th, 2005.

Are there any plans to have these draft minutes finalized?

MR. LLOYD KUCZEK: Yes, I think we will finalize them.

MR. KRIS SAXBERG: The very last paragraph on the first page reads:

"It was agreed that the tight time line only applied to general advertising that Manitoba Hydro would be undertaking. Any" --

The next page over reads:

1 "Any educational material that was more  
2 complex in length would allow for more  
3 time for feedback."

4 Do you see that?

5 MR. LLOYD KUCZEK: Yes, I do.

6 MR. KRIS SAXBERG: Is it -- is it your  
7 view then that the agreement that you've referred to,  
8 which is at Tab B, regarding a process for consultation,  
9 only applies then to -- in a very restricted sense?

10 MR. LLOYD KUCZEK: It -- it's the  
11 process that we intend to use and the other sentences  
12 that you quoted were in the context that if there was  
13 something that was more complicated, we were asked that  
14 we would provide more time, and we thought that was  
15 reasonable to do.

16 But in -- generally, we're going to stick  
17 to the guidelines and the process but there's no reason  
18 for us not to consider a request for more time if there  
19 was a need to do that.

20 MR. KRIS SAXBERG: The -- the draft  
21 minutes say that the time line -- the process is going to  
22 apply to general advertising; what do you mean by general  
23 advertising, can you give me something more specific as  
24 to what it would entail?

25 MR. LLOYD KUCZEK: I guess what we were

1 thinking is if we were placing an ad in the paper, we  
2 would pass that by the interested stakeholders in this  
3 case. I'm trying to think of what -- we wouldn't, it  
4 might be some internal document or training that we  
5 provide to our -- our contact centre people or some other  
6 internal staff.

7           What we might put in our web page, we're  
8 not intending to, I guess, have that reviewed by  
9 everybody on an operational basis. It's more the  
10 significant education initiatives that we would  
11 undertake.

12           MR. KRIS SAXBERG: Could you then turn to  
13 the agreement, which is at Appendix B, for the  
14 consultation process?

15

16   (BRIEF PAUSE)

17

18           MR. KRIS SAXBERG: The second paragraph  
19 indicates that the process will be used on the next  
20 formal educational campaign undertaken by Manitoba Hydro.

21           And so in light of the comments that you  
22 just made, is that -- is it intended that the major  
23 campaign that's going to be undertaken is going to be  
24 subject to this stakeholder's review process?

25

          MR. LLOYD KUCZEK: If we call it major,

1 yes, we put major down. But generally speaking, we're --  
2 we're hoping to come up with a strategy in terms of how  
3 we can educate our consumers more than they are educated  
4 today, which will probably include advertising in -- in  
5 newspapers, maybe some pamphlets that we can hand out or  
6 send to consumers if they were interested, and we would  
7 share those and seek the -- the comments from the  
8 interested stakeholders.

9 MR. KRIS SAXBERG: And my understanding  
10 is that the process agreement was -- was going to apply  
11 to newspaper ads primarily, that would only -- that only  
12 involved wording; is that your understanding?

13 MR. LLOYD KUCZEK: Correct. But I -- I  
14 think we -- we did agree to, or we at least talked about  
15 it internally, but I thought we talked about it in a  
16 meeting with some of the participants, that we would  
17 probably share the brochure, and that's what led into a  
18 discussion about requiring more time. But -- so, you are  
19 correct, that this probably applies just to the newspaper  
20 ads.

21 MR. KRIS SAXBERG: And if there was going  
22 to be a campaign developed, which was similar in nature  
23 to the one (1) that we discussed at the Cost of Gas  
24 Hearing in September of 2004, that type of a campaign,  
25 which, it involves a bit more elaborate work, that --

1 that would be something that would be not dealt with  
2 under the -- the strict time lines of -- of this  
3 agreement?

4 MR. LLOYD KUCZEK: Parts of it could, I  
5 guess it depends where we're at in terms of the campaign.  
6 The brochure I'm thinking of might require a little more  
7 time. We would -- and so that one (1) could possibly be  
8 dealt with outside the -- these time lines.

9 These time -- this guideline was  
10 established as a process that we can -- that we would use  
11 for the next education initiative, and we -- we intended  
12 to review this after that and see how it worked.

13 MR. KRIS SAXBERG: I guess the point that  
14 I'm -- I'm trying to get to is the last advertising  
15 campaign, sorry, educational campaign, was something that  
16 involved a significant outlay in terms of costs to  
17 produce the materials and you -- you know, there were --  
18 there were photographs done, and models brought in to  
19 pose, and that sort of thing?

20 MR. LLOYD KUCZEK: I don't recall what  
21 the costs were, but there were costs involved, yes.

22 MR. KRIS SAXBERG: And I'm just  
23 wondering, that with the protocol that's established  
24 here, how likely is it that if there were complaints  
25 about the nature of the education campaign, that you'd be

1 able to undo it if you'd already incurred all of the  
2 costs to develop the advertising campaign?

3 MR. LLOYD KUCZEK: Actually we undergo  
4 those sort of costs internally anyways, because when we  
5 undertake those initiatives, we have revisions that take  
6 place in developing those -- that brochure anyways. It  
7 would just involve bringing more cooks into the kitchen,  
8 per se.

9 MR. KRIS SAXBERG: In terms of the  
10 campaign that's on the horizon, has Centra developed an  
11 objective for that campaign?

12 MR. LLOYD KUCZEK: The objective is to  
13 educate consumers on what their choices are, and the  
14 consequences of those -- those choices.

15 MR. KRIS SAXBERG: Is there a -- a  
16 specific strategy on how that's going to be accomplished?

17 MR. LLOYD KUCZEK: No. My staff are  
18 currently working on that.

19 MR. KRIS SAXBERG: And have you  
20 determined what type of media you'll use for this  
21 campaign?

22 MR. LLOYD KUCZEK: Not at this point.

23 MR. KRIS SAXBERG: Is there a budget?

24 MR. LLOYD KUCZEK: Not at this point.

25 MR. KRIS SAXBERG: Have you decided

1 whether you're going to use any external resources?

2 MR. LLOYD KUCZEK: That hasn't been  
3 decided, but I suspect we will.

4 MR. KRIS SAXBERG: Have you developed any  
5 time lines?

6 MR. LLOYD KUCZEK: I asked my staff to  
7 develop something so that we can have something in place  
8 for the summer, towards the end of the summer.

9 MR. KRIS SAXBERG: And when this -- when  
10 all those matters have been resolved and -- and you have  
11 fastened on some educational campaign, is it your  
12 intention to follow the protocol we have in front of us,  
13 or to follow the other protocol which is mentioned in  
14 those draft minutes about providing a little bit more  
15 time for stakeholder input?

16 MR. LLOYD KUCZEK: I actually hadn't  
17 decided that yet. Just to add a little more information  
18 to that, that decision would be made once I see the  
19 material, and the -- the -- I guess the package or the  
20 campaign that's being proposed and at that point I would  
21 decide then what needs to be done.

22 And try to be reasonable to the  
23 stakeholders in terms of what amount of time they need to  
24 review the material.

25 MR. KRIS SAXBERG: Flipping back to that

1 -- those draft minutes, there's another comment recorded  
2 on the second page of the draft minutes, again the May  
3 25th, 2005 draft minutes of meeting.

4           On the second page, on the very last  
5 paragraph, there's a comment that:

6           "Manitoba Hydro indicated that given  
7           the market is open to competition, and  
8           customers are signing up on an ongoing  
9           basis, it felt that it was important to  
10           move forward with the educational  
11           process. MSOS indicated that  
12           developing the package was more  
13           important and Direct Energy agreed."

14           So, from those comments, I take it that  
15 Manitoba Hydro senses that there's some urgency right now  
16 to begin this educational campaign?

17           MR. LLOYD KUCZEK: To the extent that  
18 customers are signing up and not knowing who they're even  
19 signing up with, I would say so, yes.

20           MR. KRIS SAXBERG: But, and when you --  
21 you just indicated that customers have been signed up and  
22 not known that they were being supplied gas from a broker  
23 rather than Manitoba Hydro, correct?

24           MR. LLOYD KUCZEK: We only know what the  
25 market research is telling us, and that is that 40 some

1 percent, 41 percent of them don't know who they're  
2 purchasing their gas from.

3 MR. KRIS SAXBERG: Is that 41 percent  
4 people that have already signed up with brokers, or is it  
5 people that while they're signing up with brokers they  
6 don't know that they're getting their gas from a broker?

7 MR. LLOYD KUCZEK: That's based on a  
8 sample size of people that had signed up already. So it  
9 would include those that have signed up a number of years  
10 ago to those that have probably signed up recently, but,  
11 I couldn't give you specifics on that.

12 MR. KRIS SAXBERG: And the -- the  
13 customer research that you're speaking of is the Western  
14 opinion research that was presented to this Board at the  
15 cost of gas hearing in September 2004?

16 MR. LLOYD KUCZEK: Correct.

17 MR. KRIS SAXBERG: And if there's an  
18 urgency to develop this educational campaign, why has it  
19 taken a year to -- to begin the process, and why do you  
20 still not know what your strategy is or what media you're  
21 buying?

22 MR. LLOYD KUCZEK: We know what our  
23 strategy is in terms of, or we know what our objectives  
24 are. The reason we haven't been working on it is to  
25 figure out well-- well so -- we wanted to complete the

1 process of consulting with the stakeholders before we  
2 would proceed.

3 MR. KRIS SAXBERG: You've attached  
4 material from other jurisdictions which is, I suppose, to  
5 demonstrate options for educating regarding unbundling?

6 MR. LLOYD KUCZEK: This was material  
7 provided by one (1) of the brokers that participated in  
8 the consultations.

9 MR. KRIS SAXBERG: What's the purpose of  
10 it being attached to the report?

11 MR. LLOYD KUCZEK: During one (1) of our  
12 conference calls they mentioned some material that they  
13 had -- that they were aware of and they offered to send  
14 it to us for our information.

15 MR. KRIS SAXBERG: So -- Thank you. So  
16 is this an example then of education versus promotion?

17 MR. LLOYD KUCZEK: Generally speaking  
18 when I went through it, that's -- that was my judgment of  
19 it.

20

21 (BRIEF PAUSE)

22

23 MR. KRIS SAXBERG: I note that some of  
24 the material that's attached is produced not by the  
25 Utility but by some other organization; is that fair?

1                   MR. LLOYD KUCZEK: I actually didn't  
2 notice that when I went through it. I was looking more  
3 at the -- the words that were used as opposed to who was  
4 producing it but, but I'll take your word for that.

5                   MR. KRIS SAXBERG: Well, I -- I note that  
6 the Alberta information is provided by the Government of  
7 Alberta.

8                   MR. LLOYD KUCZEK: I'll take your word  
9 for that.

10                  MR. KRIS SAXBERG: Okay. Thank you for  
11 that. Let me turn now to the Multiple Service Products  
12 Report. And this is a report that you authored, Mr.  
13 Kuczek?

14                  MR. LLOYD KUCZEK: Correct.

15                  MR. KRIS SAXBERG: You'll agree that this  
16 report is -- is really at a very high level?

17                  MR. LLOYD KUCZEK: Yes.

18                  MR. KRIS SAXBERG: I mean, I'm -- I'm not  
19 trying to be harsh or anything, but it's pretty cursory  
20 in terms of its review of -- of issues?

21                  MR. LLOYD KUCZEK: I suppose that's  
22 correct.

23                  MR. KRIS SAXBERG: And that ultimately  
24 it's going to have a very limited function within the  
25 organization?

1                   MR. LLOYD KUCZEK:    Limited, what -- what  
2 was that word used?  
3                   MR. KRIS SAXBERG:    Limited.  
4                   MR. LLOYD KUCZEK:    Within the  
5 organization with limited function you said or --  
6                   MR. KRIS SAXBERG:    Yeah. Limited  
7 function, i.e., discussion.  
8                   MR. LLOYD KUCZEK:    The material used in  
9 this document might be used for further discussion,  
10 possibly even at the executive level at some point. So I  
11 -- I don't know how limited it will be at this time, it's  
12 too early to say; it's not just going to be filed, I  
13 don't think.  
14                   MR. KRIS SAXBERG:    But this document  
15 wouldn't be relied on by the executive to make the final  
16 determination as to whether Manitoba Hydro wanted to  
17 venture into offering this type of product?  
18                   MR. LLOYD KUCZEK:    We need to look at  
19 more issues than just what's included here, and assess  
20 what those issues are in a little more detail.  
21                   MR. KRIS SAXBERG:    Yeah. You'd have to  
22 do more research, perhaps hire someone with -- with more  
23 expertise and that's not -- that's not a knock against  
24 you.  
25                   MR. LLOYD KUCZEK:    I couldn't say if we

1 would do that or not.

2 MR. KRIS SAXBERG: Do you think, you, as  
3 the author, know enough right now to be able to make the  
4 -- a recommendation to anyone, internally, with respect  
5 to whether Manitoba Hydro should offer additional  
6 products?

7 MR. LLOYD KUCZEK: My personal view is  
8 that it requires further discussions internally to get  
9 other views.

10 MR. KRIS SAXBERG: And further  
11 information would need to be obtained?

12 MR. LLOYD KUCZEK: More information is  
13 always better, yes.

14 MR. KRIS SAXBERG: Now I -- what I'd -- I  
15 just want to explore briefly what would trigger Manitoba  
16 Hydro/Centra Gas to become more serious about  
17 investigating or -- or considering or making a decision  
18 about whether or not it's going to offer fixed-price  
19 products.

20 Is it fair to say that if the market share  
21 went significantly below 60 percent, that that would be a  
22 factor that would trigger a decision being made on this  
23 subject?

24 MR. LLOYD KUCZEK: I don't think so. We  
25 would be looking at a broad range of issues, including

1 the current product that we're offering, and other  
2 service that we're offering our customers, I guess.

3 MR. KRIS SAXBERG: I -- I'm just  
4 wondering if there's some external event that could occur  
5 that would take this matter from the -- the backburner to  
6 -- to the front?

7 MR. LLOYD KUCZEK: Probably a -- a PUB  
8 order.

9 MR. KRIS SAXBERG: Well, that's -- that's  
10 helpful then. That's what you're looking for, is an  
11 order to do it or...?

12 MR. LLOYD KUCZEK: No, I didn't say that.  
13 You were looking for something that might trigger it and  
14 I thought that might be something that would do it.

15 MR. KRIS SAXBERG: Well, Mr. Warden in  
16 the past has -- has said his personal perspective is  
17 price gouging, or -- or perception of price gouging would  
18 -- might be one of those factors that would initiate  
19 Manitoba Hydro to get into this market.

20 MR. VINCE WARDEN: I stand by that.

21 MR. KRIS SAXBERG: But the corporation  
22 doesn't -- doesn't -- isn't monitoring the -- the  
23 competitive market, or anything of that sort, in order to  
24 determine when it should get a little bit more serious  
25 about offering -- offering a fixed price option?

1 MR. VINCE WARDEN: Oh, yes, we -- excuse  
2 me -- we do monitor the market very closely.

3 MR. KRIS SAXBERG: And what would have to  
4 happen in that market, then, for you to -- to take this  
5 matter to the Executive and ask them to make a decision?

6 MR. VINCE WARDEN: Well, I think the --  
7 the price gouging is -- is the one (1) issue that  
8 obviously would trigger that. But I think, probably on a  
9 broader scale, as long as customers do have choice, if  
10 customers do have choice that within a reasonable range  
11 of -- of value, and I -- I think that's all we can ask.

12 And there are -- as was indicated, there's  
13 -- there's another broker on the scene fairly recently,  
14 offering yet more choice to the customers.

15 So the customers do have a choice between  
16 a range of products today; is that sufficient choice?  
17 We've talked about the fact that there isn't a robust  
18 market out there yet. Is a -- a robust market  
19 developing? I think those are the kind of indicators we  
20 -- we would look at.

21 There would be no reason for Manitoba  
22 Hydro, in my view, to move this to the front burner, if -  
23 - if that customer choice was there, and -- and the  
24 customers had -- were getting fair value for -- for their  
25 energy dollar.

1                   MR. KRIS SAXBERG: As we sit here today,  
2 the view is that the competitive market isn't robust, and  
3 that -- is that fair to say that's a conclusion of the  
4 report?

5                   MR. VINCE WARDEN: That was a conclusion  
6 of the report, yes.

7                   MR. KRIS SAXBERG: The -- do you  
8 understand, maybe from the cross of my learned friend,  
9 that brokers sense that if a default supplier is also  
10 offering a fixed price product, that that would be unfair  
11 to the competitive market?

12                   MS. MARLA MURPHY: Are you asking us what  
13 the broker's fee is?  
14

15 CONTINUED BY MR. KRIS SAXBERG:

16                   MR. KRIS SAXBERG: I -- I asked if your  
17 perception was that that was a concern of brokers?

18                   MR. LLOYD KUCZEK: If you're in the  
19 competitive market I think it would only be reasonable  
20 for you to not want any other competitors in that market.  
21 So --

22                   MR. KRIS SAXBERG: It -- well, the only  
23 reason I -- I raise this, is because there was a lot of  
24 information put on the record today from the cross-  
25 examination brief of Direct Energy, which was suggesting

1 that in other jurisdictions, regulators are saying that a  
2 default supplier shouldn't be also in the competitive  
3 market.

4 Are you aware that in Alberta the default  
5 supplier is Direct Energy, and that they themselves are  
6 also in the competitive market?

7 MR. LLOYD KUCZEK: I wasn't aware of  
8 that.

9 MR. KRIS SAXBERG: Are you aware that in  
10 Alberta that they have separated the -- the retail  
11 function from the distribution function?

12 MR. LLOYD KUCZEK: I'm not that familiar  
13 with the Alberta market at all to be -- to be fair.

14 MR. KRIS SAXBERG: Is there anyone on the  
15 Panel that's familiar with...

16  
17 (BRIEF PAUSE)

18  
19 MR. VINCE WARDEN: Are you speaking  
20 specifically of the disposition by ATCO, to Direct  
21 Energy, of their customer base?

22 MR. KRIS SAXBERG: Right. I just wanted  
23 to know if you had any comments, in light of the -- the  
24 remarks that a default supplier shouldn't be also  
25 providing fixed price context in the context given, that

1 in Alberta, Direct Energy themselves is the default  
2 supplier who is regulated, and also provides fixed price  
3 offerings; or were you not aware of that?

4 MR. VINCE WARDEN: Yes, I think we were  
5 aware of that, Mr. Saxberg, but as to our position on  
6 that, I'm not sure that we've formulated a specific  
7 corporate position as to whether that's good or bad.

8 MR. KRIS SAXBERG: Suffice it to say that  
9 in some jurisdictions regulators have said that it may be  
10 unhelpful to the competitive market for the default  
11 supplier to be involved in the competitive market;  
12 correct?

13 MR. VINCE WARDEN: yes.

14 MR. KRIS SAXBERG: In other jurisdictions  
15 the opposite conclusion has been reached?

16 MR. VINCE WARDEN: That's -- that's true,  
17 yes.

18 MR. KRIS SAXBERG: Okay, thank you for  
19 that. But just quickly, would you agree that if Centra  
20 was offering a fixed price alternative, that that fixed  
21 price alternative would be a much superior method for  
22 customers to reduce price volatility than the current  
23 hedging program?

24 MR. VINCE WARDEN: It would -- well  
25 obviously at a fixed price, volatility would be removed,

1 yes.

2 MR. KRIS SAXBERG: Thank you for that.  
3 Those are my questions in those two (2) areas.

4 THE CHAIRPERSON: Okay. Thank you, Mr.  
5 Saxberg.

6 Just a couple of minutes on planning.  
7 When we return on Monday we will -- Mr. Saxberg will  
8 continue with his re-examination, or his cross-  
9 examination, and then we'll have Ms. Murphy's re-  
10 examination if she deems it necessary.

11 Then we will have Professor Miller's  
12 witness, Mr. Weiss, followed by cross-examination and  
13 possible re-examination by Professor Miller.

14 As you know, what our suggestion is, is  
15 that we begin at 8:30, and I'm proposing that we will  
16 have very short breaks on Monday, and probably just carry  
17 on straight through lunch. Unless something breaks,  
18 we'll have to close down on Monday at 1:30, and figure  
19 out what we'll do next.

20 So, leaving that aside, I wish you a good  
21 rest of the week and weekend and we'll see you on Monday,  
22 thank you.

23 MR. KRIS SAXBERG: Thank you.

24

25 (PANEL RETIRES)

1 --- Upon adjourning at 4:01 p.m.

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5 Certified Correct,

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12 Carol Wilkinson, Ms.

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