

1 MANITOBA PUBLIC UTILITIES BOARD  
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7 Re: CENTRA GAS MANITOBA INC.  
8 2005/06 TO 2006/07  
9 GENERAL RATE APPLICATION  
10  
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12  
13

14 Before Board Panel:

15 Graham Lane - Board Chairman  
16 Monica Girouard - Board Member  
17 Mario Santos - Board Member  
18

19 HELD AT:

20 Public Utilities Board  
21 400, 330 Portage Avenue  
22 Winnipeg, Manitoba  
23 June 20th, 2005  
24 Volume IX  
25 Pages 1943 to 2132

## APPEARANCES

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22  
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1 --- Upon commencing at 8:33 a.m.

2

3 THE CHAIRPERSON: Good morning, everyone.  
4 Mr. Peters, perhaps you could remind us not why we're  
5 here, but what our schedule is for today.

6 MR. BOB PETERS: Yes, thank you, and good  
7 morning, ladies and gentlemen.

8 Mr. Chairman, to start the morning, Mr.  
9 Saxberg will in short order have himself organized to  
10 proceed with the continuation and completion of his  
11 cross-examination of Centra's third Panel, which we've  
12 called the Cost of Service and Rate Design Panel,  
13 together with matters dealing under Tab 13 of the binder  
14 that Centra filed.

15 Following Mr. Saxberg's cross-examination,  
16 there'll be an opportunity for Ms. Murphy to have any re-  
17 examination of her third Panel, should she have any re-  
18 examination.

19 When that is concluded, expect it to be  
20 again this morning, then there would be an opportunity  
21 for Dr. Miller to introduce Mr. Steven Weiss, who has  
22 joined us from Oregon today. And he is here to testify  
23 on behalf of RCM and TREE.

24 His direct examination will be led by Dr.  
25 Miller, and after his direct examination, questions of

1 him will be posed by the Intervenors, in the Order put  
2 out on page 4 of the Proceedings that I had circulated  
3 previously; that would be starting with CEPU, followed by  
4 CAC/MSOS, followed by Direct, followed by Energy Savings  
5 Manitoba Corp., follow then by Centra, and then lastly,  
6 Board Counsel and any re-examination of Steven Weiss as  
7 requested by Dr. Miller.

8           Following -- and I should indicate, the  
9 Proceedings today are to conclude no later than 1:30, and  
10 I expect that the morning recess will be brief. I expect  
11 the lunch recess will be non-existent, and we will work  
12 through and we will try to accommodate the schedule that  
13 the Board has for this afternoon.

14           I would also take this opportunity, Mr.  
15 Chairman, to remind the parties that closing submissions  
16 are scheduled for one week from today, commencing at 9:00  
17 in this Hearing Room. Should any party be seeking to  
18 have their closing comments provided in writing to the  
19 Board and parties, they have to get those closing  
20 comments to the Board, by the close of business on the  
21 Friday preceding Monday, June 27th.

22           So, Mr. Chairman, that's a bit of a the  
23 lay of the land. I think when Mr. Saxberg is ready it  
24 would be appropriate to turn it to him, and he'll  
25 continue and conclude his cross-examination this morning,



1 thank you.

2 THE CHAIRPERSON: Thank you, Mr. Peters.  
3 Ms. Murphy, you have another exhibit here?

4 MS. MARLA MURPHY: Actually it's  
5 something that Mr. Singh requested, it's a colour version  
6 of something that was previously provided. So it wasn't  
7 asked for, and I wasn't proposing to mark it as an  
8 exhibit, but we can certainly do that if you'd like. I  
9 haven't made copies for the -- the room.

10 THE CHAIRPERSON: Okay. Well, we'll wait  
11 until the copies are made. It's quite colourful, it's a  
12 good start to the morning. Thank you.

13 Mr. Saxberg...?

14 MR. KRIS SAXBERG: Thank you, Mr.  
15 Chairman, good morning, everyone.

16  
17 Vince Warden, Resumed  
18 Robin Wiens, Resumed  
19 Lloyd Kuczek, Resumed  
20 Kelly Derksen, Resumed  
21 Darren Rainkie, Resumed

22

23 CONTINUED CROSS-EXAMINATION BY MR. KRIS SAXBERG:

24 MR. KRIS SAXBERG: I want to begin with  
25 some questions on the new DSM Program, and I supposed,

1 Mr. Kuczek, these are for you.

2                   The program was -- was finalized and --  
3 and served on parties approximately ten (10) days before  
4 the Hearing; is that fair?

5                   MR. LLOYD KUCZEK:    That sounds about  
6 right.

7                   MR. KRIS SAXBERG:    And at page 26 of the  
8 -- of the natural gas supplement, there's a revision with  
9 respect to the estimate of total costs of the program.  
10 And am I correct that the -- the estimate is that total  
11 cost will be lower than they had -- than the high level  
12 estimate that was done and filed with the Application?

13                   MR. LLOYD KUCZEK:    That's correct.

14                   MR. KRIS SAXBERG:    \$25 million of the  
15 costs relate to contingency and future initiative  
16 development. Has that \$25 million been broken out  
17 between commercial and residential?

18                   MR. LLOYD KUCZEK:    No, it hasn't.

19                   MR. KRIS SAXBERG:    Would you expect that  
20 it would be along the same lines as the -- as the ratio  
21 of \$34 million/\$39 million? Approximately 50/50?

22                   MR. LLOYD KUCZEK:    I suspect most of it  
23 will be in residential and commercial. The ratio might  
24 not be the same. The costs are there for primarily for  
25 focussing on codes and standard changes, those could

1 effect the residential market as well as the commercial  
2 market, and also for the -- the potential for a few more  
3 programs.

4 MR. KRIS SAXBERG: The Application  
5 indicates, as well as does the new gas supplement that  
6 there are programs to be developed, correct?

7 MR. LLOYD KUCZEK: That's correct.

8 MR. KRIS SAXBERG: And is it fair to say  
9 that there's -- is still a lot of programs that have to  
10 be developed especially in connection with low income?

11 MR. LLOYD KUCZEK: We don't know how many  
12 programs we'll need to develop with the low income  
13 category. Some of them might be just the modified or  
14 customized version of the existing programs within the  
15 programs identified here. Mostly energy efficient  
16 technologies that are identified that are economic, are  
17 with -- are under the specific programs here, on this  
18 page.

19 MR. KRIS SAXBERG: The \$12 million for  
20 future initiative development then, that wouldn't include  
21 the actual costs of those, as yet, undeveloped programs,  
22 would it?

23  
24  
25

(BRIEF PAUSE)

1                   MR. LLOYD KUCZEK:    I'm sorry.  You're  
2 going to have to repeat.

3                   MR. KRIS SAXBERG:    Well, I'm wondering if  
4 the \$12 million under the heading, Future Initiative  
5 Development, only relates to the development of the  
6 programs and not the actual costing of the programs?

7                   MR. LLOYD KUCZEK:    I think it includes --  
8 well -- as I mentioned earlier, a portion of that would  
9 be for codes and standards and then a portion would be  
10 for just other initiatives which might be customized  
11 versions of programs that are just targeting the existing  
12 technologies that are within the other programs.

13                   And just to give you an example, I can't  
14 think of one off the top of my head, but something that  
15 might be focussed on a low income target or customer  
16 segment, you might have to allocate some marketing or  
17 other type of dollars to try to encourage customers in  
18 the category to take up the energy efficient measures.

19                   And those would be identified already in  
20 other specific programs.

21                   MR. KRIS SAXBERG:    Maybe I'll just cut to  
22 the chase then.  In terms of these prospective low income  
23 programs that have yet to be developed, how much money  
24 have you budgeted?

25                   MR. LLOYD KUCZEK:    There's nothing

1 specifically budgeted. We just looked at some programs  
2 that were existing. This was a high level review in the  
3 marketplace and there's a number of programs that are low  
4 costs programs, so we didn't think that they would be  
5 significant dollars.

6           Having said that, as we move forward and  
7 get more information, we plan on reviewing the plan each  
8 year. And if additional dollars will be required, we'll  
9 request those at that time.

10           MR. KRIS SAXBERG: So, you don't have an  
11 idea right now, as to what amount of incentive your  
12 budgeting to set aside until 2018, in order to assist low  
13 income families?

14           MR. LLOYD KUCZEK: Not over and above  
15 what's identified in the plan.

16           MR. KRIS SAXBERG: Would you agree on the  
17 record that the 12 million or the portion in there  
18 related to incentives is going -- is probably not going  
19 to be enough for those types of programs?

20           MR. LLOYD KUCZEK: I couldn't say that,  
21 at this point.

22           MR. KRIS SAXBERG: Do you contemplate  
23 that these low income programs are going to involve  
24 financial assistance?

25           MR. LLOYD KUCZEK: At this point I

1 haven't come to any conclusions what those programs are  
2 going to involve specifically.

3 MR. KRIS SAXBERG: I want to make sure  
4 that I understand what Centra's asking the Board to  
5 approve in this Application.

6 Is it fair that you're not asking for  
7 approval of the new gas supplement to the power --

8 MR. LLOYD KUCZEK: That's correct.

9 MR. KRIS SAXBERG: And will there ever be  
10 a time where a more finalized detailed plan will be  
11 submitted for review?

12

13 (BRIEF PAUSE)

14

15 MR. LLOYD KUCZEK: In future applications  
16 to the Board we'll -- we foresee filing the updated plans  
17 and at that time we'll be seeking approval for the  
18 dollars associated with -- that are included in our  
19 forecasts which would be the DSM plan would be part of.

20 MR. KRIS SAXBERG: Okay. Well, that's a  
21 good segue then. You're not seeking approval of the  
22 estimated \$100 million budget figure, right?

23 MR. LLOYD KUCZEK: That's correct.

24 MR. KRIS SAXBERG: And you're seeking  
25 approval only for the cost consequences in the test year

1 being no cost consequences in '05/'06, right?

2 MR. DARREN RAINKIE: That's correct, sir.

3 MR. KRIS SAXBERG: And approximately a  
4 hundred and sixty-seven thousand dollars (\$167,000) in  
5 amortization costs for the second test year, correct?

6 MR. DARREN RAINKIE: That's correct.

7 MR. KRIS SAXBERG: And then I guess the  
8 carrying costs are found elsewhere but they would also be  
9 an impact of this program?

10 MR. DARREN RAINKIE: Yeah, I think there  
11 is an IR to that effect, Mr. Saxberg.

12 MR. KRIS SAXBERG: But, nonetheless, the  
13 Company is going to spend \$14 million in the two (2) test  
14 years, correct?

15

16 (BRIEF PAUSE)

17

18 MR. LLOYD KUCZEK: What we have budgeted  
19 is four point eight (4.8) in the first year and eight  
20 point six (8.6) in the second year which is about 13.4  
21 million.

22 MR. KRIS SAXBERG: And that's what the  
23 Company's going to spend in those two (2) test years,  
24 correct?

25 MR. LLOYD KUCZEK: That's what we have

1 budgeted. That's not necessarily what will be spent.  
2 I'm just clarifying that because there is the distinction  
3 between the two (2).

4 MR. VINCE WARDEN: Just -- sorry, Mr.  
5 Saxberg, just for further clarification, that is the  
6 amount that will be included in the update to our  
7 integrated financial forecast which will be approved or  
8 submitted for approval to the board of Manitoba Hydro in  
9 the fall of this year.

10 MR. KRIS SAXBERG: And it'll be for a  
11 future proceeding to determine whether or not that \$13.4  
12 million has been prudently spent.

13 Would you agree with that?

14 MR. VINCE WARDEN: Yes, we agree with  
15 that.

16 MR. KRIS SAXBERG: And do you agree that  
17 the goal of the program is to provide a DSM program  
18 that's efficient and cost effective?

19 I get that from Tab 6 of the materials,  
20 page 20.

21 MR. LLOYD KUCZEK: That's one (1) of the  
22 objectives, yes.

23 MR. KRIS SAXBERG: Of the 14 million  
24 that's going to be spent in the two (2) test years --  
25 approximately 14 million, can you give me some more



1 detail on exactly what that money's being spent on?

2 MR. LLOYD KUCZEK: Well, I guess I could  
3 break it down into residential, commercial and industrial  
4 to start with. And residential is -- we're planning on  
5 spending 2.9 million there and commercial we have point  
6 eight (.8) only identified. And industrial is point one  
7 (.1).

8 And then there's support and contingency,  
9 we have a million dollars with that, which adds up to the  
10 four point eight (4.8). Under the residential program a  
11 significant portion of those dollars will be allocated  
12 towards two (2) programs. One's a new furnace program  
13 and the other is an insulation program.

14 MR. KRIS SAXBERG: What amount of that  
15 2.9 million would be incentives?

16

17 (BRIEF PAUSE)

18

19 MR. LLOYD KUCZEK: 1.6 million.

20 MR. KRIS SAXBERG: And the rest then  
21 would fit under the broad category of administrative?

22 MR. LLOYD KUCZEK: Administrative  
23 marketing, yes.

24 MR. KRIS SAXBERG: And those costs aren't  
25 in any way allocated through the cost allocation system

1 to O&M, are they?

2 MR. LLOYD KUCZEK: No, they're all  
3 allocated to DSM.

4 MR. KRIS SAXBERG: How are you going to  
5 account for the Federal grant that you discussed earlier  
6 last week with Mr. Peters, of \$2.4 million for the two  
7 test years?

8 MR. LLOYD KUCZEK: Well, I'm not an  
9 accountant, but generally speaking those dollars -- and  
10 we haven't finalized the contribution agreements with the  
11 Federal Government, but the -- my understanding is we  
12 will get so many dollars per Application under those  
13 programs.

14 MR. KRIS SAXBERG: And will that then  
15 reduce the -- the \$13.4 million number over those two (2)  
16 test years somewhat?

17 MR. LLOYD KUCZEK: No, they aren't.  
18 They're in addition to what we've identified here.

19 MR. KRIS SAXBERG: All of the DSM costs  
20 are being deferred; is there any amount that's expensed  
21 yearly?

22 MR. LLOYD KUCZEK: None that I'm aware  
23 of.

24 MR. KRIS SAXBERG: Now it's fair to say  
25 that if this Application, this new DSM Program wasn't

1 before the Board or wasn't operational, there'd still be  
2 a program, a DSM Program underway at Hydro?

3 MR. LLOYD KUCZEK: That's correct.

4 MR. KRIS SAXBERG: And on page 2 of the -  
5 - of the gas supplemental, there is an indication of --  
6 of the savings to date from what I'll call the current  
7 program; is that fair?

8 MR. LLOYD KUCZEK: Yes.

9 MR. KRIS SAXBERG: And the savings are  
10 increasing each year, and it seems fairly dramatically?

11 MR. LLOYD KUCZEK: Well, at one (1) point  
12 we didn't -- the savings that are attributable in -- in  
13 this table here on page 2, are programs that we've had in  
14 place for a number of years. We didn't until recently  
15 just start to try to measure what the savings were -- the  
16 natural gas savings were that resulted from those  
17 programs, and so they're identified here.

18 And I -- I believe the last year was due  
19 to the new home program, and that -- that program was  
20 launched in the last year.

21 MR. KRIS SAXBERG: Do you know what the  
22 savings would have been for '05/'06 and '06/'07, without  
23 the new plan coming into affect?

24 MR. LLOYD KUCZEK: We probably do, but I  
25 don't offhand, but it's included in the numbers that are

1 within the plan though.

2 MR. KRIS SAXBERG: Could you undertake to  
3 provide that information?

4 MR. LLOYD KUCZEK: Will do.

5

6 --- UNDERTAKING NO. 46: CENTRA to provide CAC/MSOS  
7 what the savings would have  
8 been for '05/'06 and '06/'07  
9 without the new plan in  
10 affect.

11

12 CONTINUED BY MR. KRIS SAXBERG:

13 MR. KRIS SAXBERG: Thank you. Do you  
14 know what the budget was in each of these years depicted  
15 on page 2, '01/'02, '02/'03, et cetera?

16 MR. LLOYD KUCZEK: I can give you an  
17 idea; I don't have the exact numbers. But generally  
18 speaking these programs are primarily a no cost, cost  
19 recovery type programs, and the dollars that it cost for  
20 those programs varied each year. For example, one (1) of  
21 the programs is the Residential Loan Program.

22 The objective of that program is to -- for  
23 it to be a cost recovery program. However, depending on  
24 the number of loans that comes through in various other  
25 factors, there are some costs that are -- that are

1 incurred at times.

2                   But in aggregate, it's between half a  
3 million to three quarters of a million, approximately.

4                   MR. KRIS SAXBERG:    Could you undertake to  
5 provide the budget for each year and the cost of the  
6 program per cubic metre?

7                   MR. LLOYD KUCZEK:    I can do.  The costs  
8 per cubic metre don't necessarily have that much meaning,  
9 because if it's a cost recovery program, it really should  
10 be an infinite amount if there was no costs involved, but  
11 we can provide that anyway.  It just -- it just becomes a  
12 bizarre type of a number, depending on what the costs  
13 are.

14

15 --- UNDERTAKING NO. 47:       CENTRA to provide CAC/MSOS  
16                                   the budget for each year and  
17                                   the cost of the program per  
18                                   cubic metre.

19

20 CONTINUED BY MR. KRIS SAXBERG:

21                   MR. KRIS SAXBERG:    Well, there were some  
22 administrative costs, in any event?

23                   MR. LLOYD KUCZEK:    The administrative  
24 costs under a no-cost, or a cost recovery program are  
25 supposed to be covered under those cost recovery



1 me. Is that the cost of the program in each of the years  
2 that I indicated?

3 MR. LLOYD KUCZEK: What we provided in  
4 response to that IR was the cost for the last three (3)  
5 years for a number of customer service programs including  
6 those programs that we measured actual savings. So, they  
7 included the PowerSmart residential loan, Inner Guide  
8 home assessment program, the New Home Program, the  
9 workshops, energy finance plan, religious building  
10 initiative, WISE program R-2000 and the PowerSmart energy  
11 manager pilot program.

12 MR. KRIS SAXBERG: Have you calculated a  
13 levelized cost for the current program that could be  
14 compared to the levelized cost of twelve (12) cents under  
15 the new plan?

16 MR. LLOYD KUCZEK: You're asking me if we  
17 calculated a cost -- a levelized cost for the existing  
18 programs?

19 MR. KRIS SAXBERG: Right.

20 MR. LLOYD KUCZEK: Generally, we don't  
21 calculate those costs those prog -- those costs for the  
22 reasons I mentioned earlier because most of these  
23 programs are generally designed to be cost recovery and  
24 so the number doesn't really mean anything. It's not a  
25 measure that we're looking at using to do anything with,

1 in particular because if you're cost are zero, the  
2 levelized cost would basically be zero.

3 MR. KRIS SAXBERG: So, are you saying  
4 then that the existing program paid for itself  
5 completely?

6 MR. LLOYD KUCZEK: No, I mentioned that  
7 we did incur costs of about half a million to three-  
8 quarters (3/4) of a million. These are generally  
9 customer service type programs. Some of them are cost  
10 recovery and some are not.

11 For example, the workshops that we provide  
12 to consumers, we don't charge consumer to attend those  
13 workshops. That's just the regular cost of doing  
14 business.

15 MR. KRIS SAXBERG: Thank you. The  
16 executive summary on page ii, indicates that you're  
17 looking at trying to achieve natural gas savings of 56  
18 million cubic metres; is that correct; through your  
19 incentive based programs?

20 MR. LLOYD KUCZEK: That's correct.

21 MR. KRIS SAXBERG: And can you reconcile  
22 that number, with the number that you have at page 8 of  
23 the new gas supplement which suggests that the achievable  
24 is 25.5 million?

25 MR. LLOYD KUCZEK: The market potential



1 study that we undertook wasn't -- the scope of it was  
2 limited -- so it didn't include the total potential of  
3 the marketplace. It excluded all the new construction,  
4 both commercial and residential.

5           So, although you can look at the two (2)  
6 numbers, you need to keep in mind that -- that the market  
7 potential study, which included identifying the  
8 achievable, did not include the total achievable in the  
9 marketplace.

10           MR. KRIS SAXBERG: So, the program isn't  
11 designed to surpass what the scoping had determined to be  
12 achievable?

13           MR. LLOYD KUCZEK: The way it worked is  
14 you took your market potential study and you looked at  
15 the energy efficient measures that were available on  
16 there including looking at what was achievable for those  
17 technologies in the existing market.

18           And then what our marketing program  
19 coordinators did is said, Okay, that takes care of that  
20 portion of the market but there's also the new  
21 construction marketplace, what can we achieve there?

22           So, you have to combine the two (2) to  
23 come up with -- to reconcile between those two (2)  
24 numbers.

25           MR. KRIS SAXBERG: And that completely

1 accounts for the difference?

2 MR. LLOYD KUCZEK: That's correct.

3 MR. KRIS SAXBERG: I just want to talk  
4 now about the TRC test. The calculation of total  
5 resource costs includes the greenhouse gas benefit?

6 MR. LLOYD KUCZEK: Correct.

7 MR. KRIS SAXBERG: And the benefit is  
8 that CO2 emissions are going to be reduced by  
9 approximately a hundred and four thousand (104,000) by  
10 2018?

11

(BRIEF PAUSE)

12

13  
14 MR. LLOYD KUCZEK: What was the number  
15 that you used for CO2 reductions?

16 MR. KRIS SAXBERG: I have a hundred and  
17 four thousand (104,000) tonnes?

18

19 (BRIEF PAUSE)

20

21 MR. LLOYD KUCZEK: Correct.

22 MR. KRIS SAXBERG: How did you monetize  
23 that reduction in CO2 emissions -- translate it into a  
24 dollar figure, that is?

25 MR. LLOYD KUCZEK: We have a group at

1 Manitoba Hydro that monitors the -- the value of CO2  
2 emissions and forecasts what that value will be going  
3 forward and they provided us with that number. And as  
4 part of an undertaking, I believe we -- we -- we're to  
5 file what the projected savings are on a year-by-year  
6 basis going forward.

7 MR. KRIS SAXBERG: Can you -- I don't  
8 know if you're suggesting that there already is an  
9 undertaking or not, but is there one?

10 MR. LLOYD KUCZEK: Yes.

11 MR. KRIS SAXBERG: Does it show the  
12 calculations?

13 MR. LLOYD KUCZEK: No, it does not.

14 MR. KRIS SAXBERG: Could you include the  
15 calculations as part of that undertaking showing how the  
16 dollar benefit from greenhouse gas reductions was  
17 determined?

18 MR. LLOYD KUCZEK: We will do.

19

20 --- UNDERTAKING NO. 48: CENTRA to provide CAC/MSOS  
21 calculations showing how the  
22 dollar benefit from  
23 greenhouse gas reductions was  
24 determined.  
25

1 CONTINUED BY MR. KRIS SAXBERG:

2 MR. KRIS SAXBERG: With respect to the  
3 electric side of the business, is the TRC calculated in  
4 the exact same manner?

5 In other words, is there a greenhouse gas  
6 monetized portion?

7 MR. LLOYD KUCZEK: It's slightly  
8 different. On the electric side the CO2 emissions are a  
9 result of what takes place in our export markets and so  
10 what they do there is they include -- the value of CO2  
11 emissions is included in the export price.

12 So, it's monetized through the price that  
13 we get in the export market.

14 MR. KRIS SAXBERG: Do you agree that --  
15 that the calculation of the total resource cost test  
16 leads to a number that's fairly low; it's close to the  
17 borderline, being one point three (1.3)?

18 MR. LLOYD KUCZEK: I would view that as  
19 being reasonable.

20 MR. KRIS SAXBERG: And that with respect  
21 to the electric side of the business, the TRC number is  
22 substantially higher?

23 MR. LLOYD KUCZEK: You know, I'd have to  
24 check that. I don't recall what it is. It varies by  
25 program. But I believe some programs are higher and not

1 all of them are though.

2 MR. KRIS SAXBERG: But on average, is the  
3 total -- it's above two (2) isn't it?

4 MR. LLOYD KUCZEK: I'd have to check, but  
5 I didn't think it was above two (2), but I would have to  
6 check that.

7 MR. KRIS SAXBERG: Could you do that?

8 MR. LLOYD KUCZEK: We'll do.

9

10 --- UNDERTAKING NO. 49: CENTRA to indicate to  
11 CAC/MSOS whether the TRC  
12 number with respect to the  
13 electric side of the  
14 business, is higher than two  
15 (2).  
16

17 CONTINUED BY MR. KRIS SAXBERG:

18 MR. KRIS SAXBERG: Now, with respect to  
19 the Rate Impact Measure Test, because it's less than one  
20 (1), that is the outcome's less than one (1), you'll  
21 agree, that puts upward pressure on rates?

22 MR. LLOYD KUCZEK: Correct.

23 MR. KRIS SAXBERG: And is it the case  
24 that it's standard in other jurisdictions that the RIM  
25 test should produce a number of one (1) before programs

1 are approved?

2 MR. LLOYD KUCZEK: I don't believe that's  
3 standard, no. I think the standard is, is for most  
4 entities, utilities that are promoting energy  
5 conservation measures, use a -- the total resource cost  
6 test as the primary indicator, and that must be equal to  
7 or greater than one (1).

8 Some -- some regions may use the RIM test,  
9 but not all do.

10 MR. KRIS SAXBERG: On the electric side  
11 of the business, the -- the RIM test indicates that all  
12 the programs are above one (1), right?

13 MR. LLOYD KUCZEK: I believe that's true,  
14 yes.

15 MR. KRIS SAXBERG: And so there --  
16 there's no upward pressure on rates on the electric side?

17 MR. LLOYD KUCZEK: In fact, if it's above  
18 one (1), there'll be downward pressure on rates, yes.

19 MR. KRIS SAXBERG: Thank you for that.

20 There was a -- a line in the Application  
21 that intrigued me. It was at page 1 of Tab 6 and it was  
22 commenting on -- on the current program. And the  
23 sentence reads, quote:

24 "Although the program also targets  
25 natural gas and water conservation, the costs

1                   associated with the program are  
2                   justified through the realized  
3                   electricity export benefits." End  
4                   quote.

5                   Do I take it from that line that under the  
6 old program you were considering that benefits associated  
7 with sale of -- of surplus electricity on the export  
8 market, could be used to help pay for gas DSM programs?

9                   MR. LLOYD KUCZEK: Well, what that  
10 statement was is just referring to one (1) specific  
11 program; the new home program. It was designed, and it's  
12 not the only one (1), but it was designed to achieve  
13 electricity savings.

14                   And as -- what you can do when -- when  
15 you're pursuing energy conservation initiatives, and this  
16 includes not just DSM measures, but the energy service  
17 providers. And the industry also do this. They go in  
18 and you can help customers capture savings in other  
19 energy forms besides just electricity, by having all -- a  
20 comprehensive program.

21                   So, the new homes program was going to  
22 result in savings not in just electricity savings, but  
23 electricity savings, natural gas savings and water  
24 savings, in our particular case.

25                   We have a PowerSmart Energy Manager

1 Program, which -- a pilot, which was focussed at a  
2 particular school division. And with that measure it was  
3 designed to help the customers save not just only  
4 electricity, but also natural gas, water and also waste  
5 reduction.

6 MR. KRIS SAXBERG: So, there are -- well  
7 first of all, there's only one (1) DSM Program, in terms  
8 of how you operate the program at Manitoba Hydro. I  
9 mean, it's not segregated out into different divisions,  
10 one (1) gas, one (1) electric; it's one (1) program,  
11 correct?

12 MR. LLOYD KUCZEK: It's integrated, yes.

13 MR. KRIS SAXBERG: And everything flowing  
14 from that program, that is the costs and the benefits are  
15 allocated?

16 MR. LLOYD KUCZEK: Correct.

17 MR. KRIS SAXBERG: So, I guess what I'm  
18 asking is, is the benefit of savings or profits derived  
19 from the sale of -- of electricity, is that something  
20 that's allocated to -- to gas ratepayers?

21 MR. LLOYD KUCZEK: No, it's not.

22 MR. KRIS SAXBERG: And why wouldn't it,  
23 if the costs of the program are going to be allocated,  
24 why wouldn't the benefits of the program be allocated.

25 MR. LLOYD KUCZEK: If the costs of the



1 program were allocated to the electricity side of the  
2 business, the benefits are allocated to the electricity  
3 side of the business as well.

4 MR. KRIS SAXBERG: But, if it's one (1)  
5 house with electric and gas, and it's a program that's  
6 installing insulation that is going to free up  
7 electricity, is it not, for the export market?

8 MR. LLOYD KUCZEK: Depends on what type  
9 of post house -- depends on how the house is heated, I  
10 guess. If the house is heated by electricity and you  
11 have an insulation program as we do today, the results of  
12 that program are reduced electricity consumption and no  
13 impact on the natural gas consumption in Manitoba.

14 MR. KRIS SAXBERG: Right. So, are you  
15 tracking every one of these houses where you've got a  
16 measure like -- insulation, being actually tracking to  
17 determine whether it's electric heat or gas heat, in  
18 order to determine how you're going to flow the benefits?

19 MR. LLOYD KUCZEK: With our electricity -  
20 - with out insulation program currently it is a only  
21 electricity heated customers are eligible for that  
22 program right now. We plan to expand it to include  
23 natural gas customers and we will track that, yes. And  
24 adding to that we plan to allocate the costs accordingly.

25 MR. KRIS SAXBERG: Is there any

1 circumstance that you can foresee where you would be  
2 allocating to gas ratepayers benefits of freeing up  
3 electricity for sale in the export market?

4 MR. LLOYD KUCZEK: At this point, we  
5 don't have any programs as such.

6 MR. KRIS SAXBERG: Are the costs of the  
7 program determined on a fully allocated, or a marginal,  
8 or other basis?

9 MR. LLOYD KUCZEK: It depends. Generally  
10 speaking if it's an electricity program the -- well, with  
11 all programs, there's fixed costs and then there's  
12 variable costs.

13 If you have a program that is going to  
14 achieve or is targeting savings in both electricity and  
15 natural gas, what you would do is allocate the -- I guess  
16 in the ideal case, without talking about specific  
17 programs, you would allocate your fixed costs to the two  
18 (2) different business and then allocate the variable  
19 costs, as well, to the two (2) different business based  
20 on the applications that come in.

21 MR. KRIS SAXBERG: And is it as simple as  
22 the gas ratepayers in that circumstance would get the  
23 benefit of the value of the CO2 emission reduction,  
24 whereas the electric ratepayer gets the value of the  
25 profits on the sale of electricity?

1                   MR. LLOYD KUCZEK:   That how it currently  
2 works, but we -- I'm just trying to think of how it does  
3 it work, in terms of, some of our programs that have  
4 electric savings, as well.

5                   I believe, the customers are signing off  
6 for the value associated with that. But, we're not sure  
7 those are actually marketable because the ones where you  
8 have direct natural gas, or reduced consumption in  
9 Manitoba, those are easier to measure. And I think --  
10 I'm not sure of the term that -- to be able to sell these  
11 credit on the market and I'm not an expert in this,  
12 there's certain criteria, qualifications that you have to  
13 go through.

14                   So, when you end up having CO2 emissions  
15 that result in the United States, I don't think those are  
16 sellable, so --

17                   MR. KRIS SAXBERG:   Is it fair that the  
18 estimate of the value of selling these credits is being  
19 formulated at a very high level and involves some  
20 exercise in judgement and speculation?

21                   MR. LLOYD KUCZEK:   Clearly would exercise  
22 -- would involve some exercise of judgment going forward,  
23 yes.

24                   MR. KRIS SAXBERG:   And to the extent that  
25 the number's inflated, that then improves the result of

1 the -- of the two tests to measure the effectiveness of  
2 the program?

3 MR. LLOYD KUCZEK: It does help improve  
4 the effectiveness, cost effectiveness, but it's marginal.  
5 The total amount is one point eight (1.8) cents that's  
6 used for CO2 emissions over a number that's about twenty-  
7 nine (29) cents.

8 MR. KRIS SAXBERG: Is there -- I mean,  
9 there must be homes where you have a combination of  
10 electric and gas heat?

11 MR. LLOYD KUCZEK: I can't think of a  
12 home in that case, but I can think of apartment blocks  
13 that could have a certain type of heat for the common  
14 areas and a different type of heat for the individual  
15 units.

16 MR. KRIS SAXBERG: Well, in the case  
17 where heat is primarily from a natural gas furnace but  
18 supplemented, perhaps, by baseboard heaters or just small  
19 portable heaters, in a case like that, you're not  
20 drilling down deep enough to -- to split the benefits in  
21 a situation like that?

22 MR. LLOYD KUCZEK: The cost to do that  
23 would probably be more than what we'd realize through the  
24 benefits.

25 MR. KRIS SAXBERG: Now, there was an IR

1 that we asked; it's CAC-40. Perhaps you could turn that  
2 up?

3                   And what we wanted, for everyone's  
4 edification, was a detailed breakdown of the allocation  
5 of costs, i.e., which costs are included in each category  
6 listed and how they're allocated to the three (3)  
7 parties; is that a fair characterization of the IR?

8                   MR. LLOYD KUCZEK: I believe so.

9                   MR. KRIS SAXBERG: And the answer was --  
10 was at a very high level and references the same chart  
11 that's in the new gas supplement to the PowerSmart  
12 program.

13                   Can you provide a more detailed answer  
14 that does, for instance, show exactly how the incentives  
15 are allocated between gas and electric as one (1) example  
16 and provide for your estimate of the total number of --  
17 the total amount of incentives in any particular year and  
18 what you forecast that will be spent on incenting gas  
19 versus electric?

20                   And I'd ask for that for every one of the  
21 categories that we had asked for?

22

23

(BRIEF PAUSE)

24

25

MR. LLOYD KUCZEK: We -- we may be able

1 to do budgets and incentives, energy savings, but water  
2 waste savings, we -- we don't estimate that. Utility  
3 staff time and costs; we might be able to come up with a  
4 high level estimate there. Contractor time and costs; I  
5 don't think we'd be able to do that.

6                   So, I guess if you want a little more  
7 information in terms of the breakdown, we can attempt to  
8 do that?

9

10 --- UNDERTAKING NO. 50:       CENTRA to provide CAC/MSOS  
11 details on how the incentives  
12 are allocated between gas and  
13 electric and provide for  
14 estimate of the total number,  
15 the total amount of  
16 incentives in any particular  
17 year and what you forecast  
18 that will be spent on  
19 incenting gas versus  
20 electric.

21

22 CONTINUED BY MR. KRIS SAXBERG:

23                   MR. KRIS SAXBERG:   Thank you for that.

24                   If you could flip to page 14 of the --  
25 your program, beginning at the bottom of the page you're

1 describing for residential customers the four (4) new  
2 programs -- incentive-based programs, correct?

3 MR. LLOYD KUCZEK: Page 14 identifies  
4 where the potential savings are based on the market  
5 potential study, I believe.

6 MR. KRIS SAXBERG: I'm looking at the  
7 bottom of the page and number 1, the thermostat program  
8 is indicated and then you flip over the page and it lists  
9 the other four (4) new programs -- new incentive-based  
10 programs?

11 MR. LLOYD KUCZEK: Yes. These are the  
12 technologies of the energy efficient measures that were  
13 identified in the market potential study, that were  
14 determined to be economic.

15 MR. KRIS SAXBERG: These are the new  
16 programs, just -- what you're putting forward, and make  
17 up -- account for most of the costs of your new program,  
18 correct?

19 MR. LLOYD KUCZEK: Correct.

20 MR. KRIS SAXBERG: What I want to know is  
21 for each one (1), for a thermostat program to begin with,  
22 what are the annual projections of the -- of numbers of  
23 participants?

24 MR. LLOYD KUCZEK: We would have to take  
25 that as an undertaking.

1                   MR. KRIS SAXBERG:    Could -- could you  
2 provide that for each of the years that you have, rolling  
3 out to 2018, for each of these four (4) programs?

4                   MR. LLOYD KUCZEK:    I just want to make  
5 sure that they're not in the appendices before I say.  
6                   We'll have to take that as an undertaking.

7                   MR. KRIS SAXBERG:    Thank you for that.

8

9 --- UNDERTAKING NO. 51:       CENTRA to indicate to  
10                                   CAC/MSOS the annual  
11                                   projections of numbers of  
12                                   participants for each new  
13                                   program.

14

15 CONTINUED BY MR. KRIS SAXBERG:

16                   MR. KRIS SAXBERG:    Have you -- have you  
17 also done an estimate of bill reductions for those  
18 participants?

19                   MR. LLOYD KUCZEK:    We usually do when  
20 we're doing the detailed program on designs, yes.

21                   MR. KRIS SAXBERG:    Could you provide that  
22 information as well?

23                   MR. LLOYD KUCZEK:    For those that we have  
24 I'll do that, yes.

25



1 --- UNDERTAKING NO. 52: CENTRA to provide CAC/MSOS an  
2 estimate of bill reductions  
3 for the participants of the  
4 new programs.  
5

6 CONTINUED BY MR. KRIS SAXBERG:

7 MR. KRIS SAXBERG: And could you also  
8 provide the cost of each of the programs, and on a year  
9 over year basis, and the amount of incentives that you  
10 have -- have allocated for each of these particular  
11 programs?

12 MR. LLOYD KUCZEK: We will do that.  
13

14 --- UNDERTAKING NO. 53: CENTRA to provide CAC/MSOS  
15 the cost of each of the new  
16 programs, on a year over year  
17 basis, and the amount of  
18 incentives that have been  
19 allocated for each of these  
20 particular programs.  
21

22 CONTINUED BY MR. KRIS SAXBERG:

23 MR. KRIS SAXBERG: Thank you for that.  
24 And now you'd agree that there are some,  
25 we'll call it, equity issues in connection with any DSM

1 Program, correct?

2 MR. LLOYD KUCZEK: Correct.

3 MR. KRIS SAXBERG: And for low income and  
4 fixed income customers, there may be higher barriers to  
5 participation in the program?

6 MR. LLOYD KUCZEK: Certainly some  
7 different barriers, yes.

8 MR. KRIS SAXBERG: One (1) of the  
9 different barriers is financial barriers?

10 MR. LLOYD KUCZEK: Yes, but we also have  
11 a financing package that we offer consumers, and so  
12 generally speaking, if they're aware of that program when  
13 it's cost effective for the consumer. This isn't  
14 necessarily a rule, but it certainly addresses that  
15 barrier.

16 MR. KRIS SAXBERG: When you say  
17 financing, you're talking about your loan programs?

18 MR. LLOYD KUCZEK: That's correct.

19 MR. KRIS SAXBERG: But, there are, you'll  
20 agree, customers out there that cannot afford to pay a  
21 loan?

22 MR. LLOYD KUCZEK: Well, the theory is if  
23 it's economic, their operating costs with their energy  
24 bills would go down and offset those payments.

25 MR. KRIS SAXBERG: And that's something

1 then that -- that happens if you were to -- that the  
2 savings over the course of whatever period, are going to  
3 be greater than the -- the incremental cost of the loan?

4 MR. LLOYD KUCZEK: It really depends.  
5 You have to look at a -- a situation by situation case.  
6 It's not always the case. If you have a program with an  
7 eight (8) year payback, and the loan is a five (5) year  
8 loan, depending then how much greater the savings are  
9 than the -- the loan payment, or in the case I just  
10 mentioned, likely the financing costs would be greater in  
11 the first five (5) years than the savings.

12 MR. KRIS SAXBERG: And is it fair to say  
13 that the -- in terms of judging who can qualify for a  
14 loan, you look at the history of bill payments to Centra  
15 Gas?

16 MR. LLOYD KUCZEK: That's correct.

17 MR. KRIS SAXBERG: And if -- if a  
18 customer hasn't always paid the full amount of the bill,  
19 then would that reduce their chances of getting a loan?

20 MR. LLOYD KUCZEK: I believe we only go  
21 back one (1) year, and we also are flexible in terms of  
22 allowing that customer to have a co-signer sign for the  
23 loan as well, as long as they're in good standing with  
24 us.

25 MR. KRIS SAXBERG: So, is it as simple as

1 you have to have paid the full amount of your gas bill on  
2 time, for a full year, to be able to qualify for a loan?

3 MR. LLOYD KUCZEK: I believe it's our gas  
4 and electricity bill, but I would have to check with our  
5 credit and collections people, to see exactly what they  
6 do, but that's my understanding.

7

8 (BRIEF PAUSE)

9

10 MR. KRIS SAXBERG: So, there may be a  
11 large group of customers that don't qualify based on  
12 those criteria that can't find someone to co-sign and  
13 wouldn't be able to participate in that particular  
14 program?

15 MR. LLOYD KUCZEK: Just to provide a  
16 little more clarification, what we do is if you paid your  
17 bill in the last twelve (12) months you automatically are  
18 eligible for the financing. If you haven't then we  
19 undertake further credit checks and so you still may be  
20 eligible, but we just do more detailed credit checks with  
21 the individual.

22 MR. KRIS SAXBERG: Do you know how many  
23 customers as a percentage carry arrears or create -- have  
24 arrears in the payment of their bills during the course  
25 of any year?

1                   MR. VINCE WARDEN: I think Mr. Saxberg we  
2 did provide that information earlier and I think  
3 something like 90 percent of the customers pay their  
4 bills on time. And I can get the remaining breakdown if  
5 you like, if you can just hold one (1) moment.

6                   MR. KRIS SAXBERG: Sure. Thank you.

7

8                   (BRIEF PAUSE)

9

10                  THE CHAIRPERSON: Mr. Saxberg, while Mr.  
11 Warden is getting that number, I'm wondering if you could  
12 give us an estimate of how much longer you think you'll  
13 be?

14                  MR. KRIS SAXBERG: I think a half an  
15 hour, in total.

16                  THE CHAIRPERSON: Thank you.

17

18                  (BRIEF PAUSE)

19

20                  MR. VINCE WARDEN: Yes, Mr. Saxberg, I do  
21 have that breakdown now. I think I referenced 90 percent  
22 paying that number on time; that number is actually 85  
23 percent.

24                  10 percent are one month late in paying  
25 their bills, but still pay their bills within that one

1 (1) month. The remaining 5 percent -- of the 5 percent  
2 remaining 4 percent pay after -- after some collection  
3 action and the 1 percent remain a -- remain a persistent  
4 problem.

5 MR. KRIS SAXBERG: With respect to the 4  
6 percent that don't pay until collection action has been  
7 undertaken, they wouldn't qualify for the loan program  
8 unless they had a co-signer, correct?

9 MR. LLOYD KUCZEK: I suspect not.

10 MR. KRIS SAXBERG: And have you done any  
11 studies to determine the demographics of that 4 percent?

12 MR. LLOYD KUCZEK: No.

13 MR. KRIS SAXBERG: Would you agree with  
14 me that intuitively one would think that that would be a  
15 lower economic group of customers?

16 MR. LLOYD KUCZEK: We don't have that  
17 information Mr. Saxberg.

18 MR. KRIS SAXBERG: With respect to these  
19 low income programs that are going to be developed, they  
20 are being developed in order to overcome some of the  
21 barriers, including the barrier that we've just  
22 discussed, correct?

23 MR. LLOYD KUCZEK: That's primarily what  
24 the low income coordinator is going to do that we're  
25 going to hire as a look at what those barriers are and

1 how we can address them.

2 MR. KRIS SAXBERG: Have you created any  
3 criteria with respect to who would qualify for that type  
4 of assistance and what kind of information you would  
5 require of individuals in order to determine whether they  
6 did qualify for assistance?

7 MR. LLOYD KUCZEK: It would be too early  
8 for me to say at this point. We haven't done that yet.

9 MR. KRIS SAXBERG: When do you expect  
10 these programs to be up and running?

11 MR. LLOYD KUCZEK: It can vary, but I  
12 suspect the time we bring an individual in and undertake  
13 some work it's -- it's possible that a program could be  
14 launched in four (4) months. Some might be more than  
15 that; it really depends.

16 But over the course of the next year I  
17 suspect that we'll have some idea of where we're going in  
18 that area. It's a little too early for us to say at this  
19 point.

20 MR. KRIS SAXBERG: And there are monies  
21 included in the \$13.4 million budget for the two (2) test  
22 years for these programs, correct?

23 MR. LLOYD KUCZEK: There are some dollars  
24 that we have in the budget to address contingencies and  
25 one (1) of the contingencies that was identified is

1 potential dollars required for low income, but a very  
2 high level estimate at that point -- at this point.

3 MR. KRIS SAXBERG: So, is it fair to say  
4 then that you've got approximately \$2 million set aside  
5 for the development of the program and for financial  
6 assistance for low income people for the two (2) test  
7 years?

8 MR. LLOYD KUCZEK: When you say 2  
9 million, you're talking across the planning horizon?

10 MR. KRIS SAXBERG: I'm looking at the  
11 metro gas utility budget on page 28 where it indicates  
12 support and contingency amounts of 1 million in each of  
13 the test years?

14 MR. LLOYD KUCZEK: I suspect there could  
15 be a half a million available per year in that budget for  
16 that, but again, it depends.

17 MR. KRIS SAXBERG: And I think you'd  
18 indicated that approximately 50 percent of that -- of the  
19 amount for support and contingency, would relate to  
20 residential and the other 50 percent to commercial?

21 MR. LLOYD KUCZEK: I didn't think I said  
22 that actually. I generally mentioned, I think, that part  
23 of the funds, in this category, are for pursuing codes  
24 and standard changes as well. And those could involve  
25 changes to the residential and the commercial market.



1                   What portion of those dollars would go to  
2 those particular market segments I'm unsure of at this  
3 point.

4

5

(BRIEF PAUSE)

6

7

MR. KRIS SAXBERG: Now, there -- there  
8 are also going to be customers that will never be able to  
9 participate in the DSM program, correct?

10

MR. LLOYD KUCZEK: When you say "never",  
11 I'm not sure why that would be.

12

MR. KRIS SAXBERG: If they are living in  
13 an apartment, for instance?

14

MR. LLOYD KUCZEK: If they don't own a  
15 natural gas furnace, I guess, for example in that program  
16 they wouldn't participate, no.

17

MR. KRIS SAXBERG: But under the way that  
18 Centra plans to collect costs for this program, those  
19 individuals will still have to pay for the program?

20

MR. LLOYD KUCZEK: All individuals --  
21 depends on how the costs are allocated across the  
22 customer -- do you want to?

23

MS. KELLY DERKSEN: I think the answer to  
24 your question, Mr. Saxberg, is yes, to the extent that we  
25 allocate DSM costs to the residential customer class, all

1 customers in that class will bear some responsibility for  
2 those costs.

3

4

(BRIEF PAUSE)

5

6 MR. KRIS SAXBERG: Okay. Thank you for  
7 that.

8 I want to move on to briefly deal with a  
9 few other areas; first, relating to the one-bill  
10 initiative. would you agree that the -- one (1) of the  
11 goals in terms of redesigning the -- the new bill was to  
12 make it as easy to understand as -- as possible?

13 MR. VINCE WARDEN: Yes.

14 MR. KRIS SAXBERG: The final product, was  
15 that -- was that all the creation of internal -- through  
16 internal resources at Manitoba Hydro or were there any  
17 third party design or external consultants involved?

18 MR. VINCE WARDEN: We did involve a  
19 third-party consultant.

20 MR. KRIS SAXBERG: And was that -- was  
21 that related to the focus groups that were -- that were  
22 used in the process, or was it with respect to designing  
23 the bill?

24 MR. VINCE WARDEN: We engaged a consultant  
25 to look at the final design of the bill, to offer any

1 suggestions that firm might have.

2 MR. KRIS SAXBERG: Did they provide you  
3 with their comments in writing?

4 MR. VINCE WARDEN: Yes, they did.

5 MR. KRIS SAXBERG: Is that something that  
6 you'd be prepared to share?

7 MS. MARLA MURPHY: I think we're just  
8 going to have to follow-up on the terms of the retainer  
9 there and any restrictions there might be, but we'll take  
10 your request under advisement.

11 MR. KRIS SAXBERG: Thank you for that.

12

13 CONTINUED BY MR. KRIS SAXBERG:

14 MR. KRIS SAXBERG: Now you're not seeking  
15 formal approval from the Board with respect to the -- the  
16 new format of the bill?

17 MR. VINCE WARDEN: That's correct.

18 MR. KRIS SAXBERG: But if the Board  
19 directed a change, is that something that you would --  
20 would you accommodate the Board's wishes?

21 MR. VINCE WARDEN: We always accommodate  
22 the Board's wishes so, yes, I would say so.

23 I should, Mr. Saxberg, just point out, the  
24 consultant that we engaged was for a very high level look  
25 at the bill after all input had been received from other

1 groups.

2                   The -- the cost of that was very minimal,  
3 it was only thirteen thousand dollars (\$13,000) for that  
4 consultant. So what we're talking about there was not a  
5 major engagement.

6                   MR. KRIS SAXBERG: Now there's going to  
7 be one (1) bill, but you agree it's -- there's still two  
8 (2) completely different services being provided?

9                   MR. VINCE WARDEN: Well there's always  
10 going to be a separation between electricity and gas, but  
11 there's energy services being provided.

12                   MR. KRIS SAXBERG: And you are allowing,  
13 under the terms and conditions, service customers to pick  
14 which bill and which service they want to pay, in any  
15 monthly billing period?

16                   MR. VINCE WARDEN: Correct.

17                   MR. KRIS SAXBERG: But the evidence here  
18 is that you were not wanting to advise customers that  
19 they have such an option?

20                   MR. VINCE WARDEN: Well, I didn't say we  
21 -- I don't think anybody has said we're not wanting to  
22 advise customers that have such an option. I -- I think,  
23 as we indicated earlier, the vast majority of customers  
24 pay their bills on time and there probably is no need to  
25 advise customers that they can pay one (1) or the other.

1                   MR. KRIS SAXBERG:    But you've made a  
2 conscious decision not to provide information with  
3 respect to the availability of that choice?

4                   MR. VINCE WARDEN:    Well, for the reason I  
5 just gave, yes.

6                   MR. KRIS SAXBERG:    And I believe another  
7 reason was because it -- it -- Mr. Rainkie said that it  
8 may cost more from an administrative perspective, to --  
9 to allocate other than pro-rata?

10                  MR. VINCE WARDEN:    It is, it would be a  
11 manual process to -- to allocate those payments  
12 specifically.  And of course all customers would bear  
13 that cost.

14                  MR. KRIS SAXBERG:    Setting aside those  
15 two (2) reasons for not promoting the option, would you  
16 agree that the bill itself could include some form of  
17 check off box, to indicate payment preference?

18                  MR. VINCE WARDEN:    Well, as we reviewed  
19 earlier, the -- the bill is already quite busy, so I  
20 wouldn't certainly think it would be necessary to -- to  
21 add a check off box.  I think that would be unnecessary  
22 clutter on the bill.

23                  MR. KRIS SAXBERG:    With the present  
24 system and two (2) bills in the same envelope, customers  
25 can choose which amount they -- they will pay, and is it

1 the company's experience that one (1) service may be paid  
2 in full, where -- where another service is only paid in  
3 part?

4 MR. VINCE WARDEN: Well, again, the vast  
5 majority pay both bills on time.

6 MR. KRIS SAXBERG: Can a customer  
7 retroactively assign the payments that he or she has  
8 made, in order to get out of the hole with respect to one  
9 (1) service?

10 MR. VINCE WARDEN: Theoretically, Mr.  
11 Saxberg, that could happen but, again, we're talking a  
12 very manual process. If many customers chose to do that,  
13 it could get very expensive for us.

14 MR. KRIS SAXBERG: But in order to avoid  
15 a double disconnect, it would be possible then to assign  
16 monies that were split pro-rata to one (1) of the  
17 utilities in order to make the customer current?

18 MR. VINCE WARDEN: We -- obviously there  
19 is common sense limitations on that Mr. Saxberg, we  
20 couldn't, I don't think, entertain a customer coming in  
21 and say that payments were made six (6) months ago, I'd  
22 like to now reallocate the one (1) service or the other.

23 I think there are just some limits as to  
24 how far we could go. We haven't really defined that. I  
25 don't think it's a circumstance that we would face on a

1 consistent basis or even an infrequent basis, I wouldn't  
2 expect we would encounter that.

3 MR. KRIS SAXBERG: Is there a policy that  
4 you could disconnect gas if the gas account was current,  
5 but, the electric account was not?

6 MR. VINCE WARDEN: Sorry, Mr. Saxberg,  
7 would you repeat that question?

8 MR. KRIS SAXBERG: Is it Manitoba Hydro's  
9 policy that there could be an electric or gas disconnect,  
10 as long as one (1) of the services was in arrears?

11 MR. VINCE WARDEN: Well, we would be in a  
12 position to disconnect gas, if that gas bill was in  
13 arrears and if it was during a period that gas disconnect  
14 was allowed. I should point out though that we do,  
15 Manitoba Hydro, Centra Gas, does accommodate a customer  
16 as much as possible before that disconnection actually  
17 occurs.

18 So there's a lot of negotiation that goes  
19 on. If there's anyway possible we can accommodate that  
20 customer without that last resort of disconnection, we  
21 certainly go there.

22 MR. KRIS SAXBERG: But you wouldn't be  
23 entitled to disconnect gas if the gas bill was current  
24 but the electric bill was behind?

25 MR. VINCE WARDEN: Correct.

1 MR. KRIS SAXBERG: Okay.

2

3

(BRIEF PAUSE)

4

5 MR. KRIS SAXBERG: Now I think there's an  
6 undertaking outstanding with respect to the disconnection  
7 notices that are included as part of the materials; is  
8 that right?

9 MS. MARLA MURPHY: I believe Mr. Rainkie  
10 spoke to that verbally, if that's the one (1) you're  
11 referring to.

12

13 CONTINUED BY MR. KRIS SAXBERG:

14 MR. KRIS SAXBERG: There are -- as  
15 attachment three (3), there are some new disconnection  
16 notices. Are those -- are those new notices that are  
17 proposed, as a result of the new bill?

18 MR. DARREN RAINKIE: That's my  
19 understanding. What I indicated, I think, a few days  
20 ago, is that because of the combination of the two (2)  
21 energies, there might be some minor wording changes to  
22 those previously established notices and I didn't take a  
23 formal undertaking. But, I said the Board so wished, I  
24 think, before implementation of those on November 1st, we  
25 could do a comparison of what's in Order 13/04 versus



1 what's in the filing in Tab 3 and get those approved.

2 MR. KRIS SAXBERG: And just from an  
3 appearance perspective, I think the appearance of the  
4 notices has changed, as well, now they're in red  
5 typeface?

6

7

(BRIEF PAUSE)

8

9 MR. VINCE WARDEN: No, there's no change,  
10 Mr. Saxberg, to the appearance.

11 MR. KRIS SAXBERG: Just in connection  
12 with the basic monthly charge issue, that report's not  
13 going to be filed until sometime after this hearing and  
14 before August 1st?

15 MS. KELLY DERKSEN: Yes, sir.

16 MR. KRIS SAXBERG: Will the study address  
17 the issue of who constitute low volume users within the  
18 residential class?

19

20

(BRIEF PAUSE)

21

22 MS. KELLY DERKSEN: Not sure what you  
23 mean by "who" but what we intend to do or what we are  
24 currently doing is looking at the various consumptions of  
25 individual customers within the -- the SGS class.

1                   We don't have any information though as  
2 to, for example, what the level of income might be for  
3 those customers.

4                   MR. KRIS SAXBERG:    You agree that low  
5 volume users, if the basic monthly charge is increased,  
6 are going to be -- are going to pay more?

7                   MS. KELLY DERKSEN:   Generally the trend  
8 is, as you increase the level of fixed costs, the low  
9 volume customers will see an increase in their annual  
10 bill, yes.

11                  MR. KRIS SAXBERG:   And it works the  
12 opposite for the high volume users who will be seeing  
13 some reduction; correct?

14                  MS. KELLY DERKSEN:   Presuming an increase  
15 in the level of the basic monthly charge, yes.

16                  MR. KRIS SAXBERG:   And was it not the  
17 case that in the past -- or at least when the basic  
18 monthly charge was set, there was -- there was some  
19 social policy that was coming into play in determining  
20 the level of that charge?

21

22                                       (BRIEF PAUSE)

23

24                  MS. KELLY DERKSEN:   Mr. Saxberg, I  
25 couldn't tell you what social policy may have come into

1 effect at the time that we imposed the ten dollar (\$10)  
2 basic monthly charge. It's so very long ago; we're  
3 talking probably fifteen (15) to twenty (20) years.

4 I know at the time that the basic monthly  
5 charge was imposed at the ten dollars (\$10) that it  
6 currently is. We were harmonizing our -- one (1) of our  
7 issues was to try to harmonize the level of the basic  
8 monthly charge between Winnipeg and Brandon and so forth.

9 We were integrating ICG with Greater  
10 Winnipeg at that time and the different utilities had  
11 different levels of basic monthly charges and so that was  
12 one (1) of our goals at that time. But I'm not aware of  
13 a specific social policy.

14 MR. KRIS SAXBERG: So there was no  
15 assumption that lower volume users are also within the  
16 lower economic strata?

17 MS. KELLY DERKSEN: I wouldn't make that  
18 assertion, Mr. Saxberg. There could be, for example,  
19 many houses in the core area of Winnipeg that may be less  
20 efficient in terms of insulation and windows and so forth  
21 and they very well could be much higher users of natural  
22 gas.

23 So to make that assertion, I just don't  
24 think that we could.

25 MR. KRIS SAXBERG: Would you agree that

1 one (1) of the factors though that drives the amount of  
2 volumes used is the size of the home?

3 MS. KELLY DERKSEN: Yes, I guess all  
4 other things being equal, that could be an influence.

5 MR. KRIS SAXBERG: Would you agree that  
6 there's no LDC in Canada that has all of the fixed costs  
7 recovered by its fixed charge portion of the bill?

8

9 (BRIEF PAUSE)

10

11 MS. KELLY DERKSEN: I believe the -- the  
12 vast majority of LDC's in Canada do not recover the full  
13 level of customer related costs in the basic monthly  
14 charge. With the exception, at one (1) time, Swan Valley  
15 Gas up north did recover the full amount of the customer  
16 related costs in their basic monthly charge.

17 But to the best of my knowledge, I believe  
18 that they've since applied to make a change and are no  
19 longer recovering the full level of the customer related  
20 costs in the basic monthly charge.

21 MR. KRIS SAXBERG: Thank you for that.  
22 Will the report that's forthcoming contain a  
23 recommendation as to adjusting the basic monthly charge?

24 MS. KELLY DERKSEN: We are making a  
25 recommendation. I -- I'm not in a position today to say

1 if that's going to be something different than the ten  
2 dollars (\$10).

3 MR. KRIS SAXBERG: Would you agree though  
4 that if it is something different than the ten dollars  
5 (\$10), there'd -- there'd need to be an Application  
6 first, and a review of that, before rates would be  
7 adjusted?

8 MR. DARREN RAINKIE: Yes, sir, that's  
9 part of the approved rate schedule.

10 MR. KRIS SAXBERG: And just quickly on  
11 broker issues.

12  
13 (BRIEF PAUSE)

14  
15 MR. KRIS SAXBERG: PUB/CENTRA-90,  
16 provides a table, and it shows that -- there's no need to  
17 turn to it. It shows the -- the derivation of the  
18 overhead rate embedded in the primary gas; correct?

19 MS. KELLY DERKSEN: Yes, sir.

20 MR. KRIS SAXBERG: Direct purchase  
21 customers don't pay any of those monies, do they?

22 MS. KELLY DERKSEN: Yes. And that was  
23 exactly one (1) of the -- the points that I was trying to  
24 make with Mr. Brown last week, is that, you know, you  
25 can't look at this in isolation of all of the costs that

1 we incur, in providing WTS Service. This clearly  
2 indicates that only those customers who are taking  
3 Centra's primary gas rate, are paying for the -- the  
4 costs of providing part -- part of the primary gas  
5 service.

6                   So, one (1) of Mr. Brown's -- what he  
7 conveniently left out of the picture was the fact that  
8 exactly what you raised is that there are customers who -  
9 - these customers, for example, who will not only pay for  
10 a portion of the providing primary gas service, but will  
11 also pay a portion of providing WTS Service through their  
12 distribution rate.

13                   MR. KRIS SAXBERG: And that's  
14 notwithstanding the fact that there are separate costs  
15 caused by a direct purchase to customers, which are borne  
16 by all customers?

17                   MS. KELLY DERKSEN: Again, what I said to  
18 Mr. Brown last week is we very much viewed this issue in  
19 the context of the WTS Hearing in 1999, as from the  
20 perspective that all -- all customers impose these costs,  
21 and therefore everyone should pay for them.

22                   So, it wasn't -- we didn't take the  
23 perspective that customers who exercise a particular  
24 choice, impose a certain level of costs, as what this  
25 Information Request is suggesting. We took very much the

1 position that, because everyone -- because everyone had  
2 the right to the choice, everyone should pay so, yes.

3 MR. KRIS SAXBERG: And in other  
4 jurisdictions though there is -- there are special  
5 charges or additional charges that would be charged to  
6 direct purchase customers to recognize the fact that they  
7 are causing some additional costs for the utility, beyond  
8 WTS, in an administrative sense?

9 MS. KELLY DERKSEN: I am aware, Mr.  
10 Saxberg, that many other -- several other utilities in  
11 Canada charge a WTS fee for the cost of administering a  
12 WTS type of service, that they may call it something  
13 different in another LDC, but that the general principle  
14 is that most -- many other brokers in Canada are imposed  
15 a certain fee for the administration of this type of  
16 broker service, yes.

17 MR. KRIS SAXBERG: And in terms of the  
18 market reflective nature of the primary gas rate, is it  
19 also fair to say that the broker numbers themselves, the  
20 broker figures that are put forward, are somewhat lower  
21 in this jurisdiction than they would be in other  
22 jurisdictions because there is no inclusion for billing,  
23 first of all, for the actual costs of the billing  
24 service?

25 MS. KELLY DERKSEN: You're going to have

1 to repeat the one for me, I'm not sure that I clearly  
2 understood.

3 MR. KRIS SAXBERG: Well brokers don't pay  
4 for all of the actual costs of providing their service,  
5 do they?

6 MS. KELLY DERKSEN: There's -- I  
7 specified with Mr. Peters last week that there's really  
8 two (2) types of services that we provide to brokers.  
9 One is WTS which is the whole service of transporting  
10 primary gas, if you will, from Alberta to Manitoba.

11 The second service relates to the billing  
12 and collection of revenues on behalf of the broker. We  
13 do charge an incremental fee for the billing and  
14 collection portion of the service. It's the nominal  
15 twenty-five cent (25) fee that we've been talking about.  
16 It is not cost based.

17 MR. KRIS SAXBERG: And brokers don't have  
18 to pay any specific charge for bad debt, relating to  
19 their customers?

20 MS. KELLY DERKSEN: Correct. Centra --  
21 the pact that we made through the WTS application hearing  
22 and ultimate Board Order was that Centra would assume the  
23 risk of bad debt on behalf of the brokers. In fact, we  
24 cited in our June the 4th, 1999 Application one of the  
25 reasons for doing that was, we didn't want for brokers to



1 start targeting the most credit worthy customers, leaving  
2 Centra with, I guess, the most uncredit worthiness  
3 customers.

4                   So that was an important thing for us and  
5 the Board ultimately agreed. So, yes, all customers bear  
6 responsibility for brokers -- sorry -- for bad debt for  
7 all customers.

8                   MR. KRIS SAXBERG: What's the company's  
9 view in terms of what customers should be comparing when  
10 deciding whether or not to go with a broker service or  
11 Centra's current offering. Should -- should customers be  
12 looking at the primary gas rate or the commodity cost  
13 embedded in that rate in order to compare it with broker  
14 offerings?

15                   MR. LLOYD KUCZEK: Can you repeat that  
16 one more time, Mr. Saxberg?

17                   MR. KRIS SAXBERG: If a customer is  
18 choosing between Centra's existing service and a broker,  
19 would it be better for them to look at the primary gas  
20 billed rate on their bill or the commodity cost embedded  
21 in that billed rate?

22

23

(BRIEF PAUSE)

24

25

MR. LLOYD KUCZEK: Well I guess in

1 general there's -- there's a number of things they need  
2 to consider. But my understanding is the rate and the --  
3 the commodity cost itself are virtually one and the same.

4

5                   There's some marginal differences there  
6 but it wouldn't impact the customer's decision, I don't  
7 think.

8                   MR. KRIS SAXBERG: Would it be something  
9 that would be technically onerous to do to have indicated  
10 on the new bill format the commodity cost embedded in the  
11 primary cost rate?

12                   MR. VINCE WARDEN: Mr. Saxberg, as Mr.  
13 Kuczek just indicated, the primary gas rate and the  
14 commodity rate are virtually the same, virtually  
15 identical, so there would be the fifth decimal point,  
16 perhaps. And, yeah, so it would be not -- it would be  
17 even more confusing to put that reference on the bill.

18                   MR. KRIS SAXBERG: And that's the case  
19 notwithstanding the hedging program and not withstanding  
20 the fact that there's rate riders included in the billed  
21 rate? And there's this overhead charge?

22                   MR. VINCE WARDEN: Well, I think the  
23 question is what factors does the -- does the customer  
24 consider in going with a broker as compared to going with  
25 Centra Gas. And the primary gas rate, which includes the

1 impacts of -- of hedging and storage would be the proper  
2 comparison. So Centra's primary gas rate compared with  
3 what the broker can offer over a fixed term in the future  
4 would be the proper numbers that the customer should be  
5 considering when looking at the options.

6 MR. KRIS SAXBERG: Okay. Thank you for  
7 that.

8 Those are all my questions for this Panel.

9 THE CHAIRPERSON: Thank you, Mr. Saxberg.

10

11 Before we break I'll ask Ms. Murphy if she  
12 has any re-examination of the Panel?

13 MS. MARLA MURPHY: I would like just a  
14 minute to consult with my client before I answer that  
15 question, so perhaps we could have the break and I could  
16 advise you afterwards.

17 THE CHAIRPERSON: Okay. We're going to  
18 take quite a short break. We'll be back in no longer  
19 than ten (10) minutes. Thank you.

20

21 --- Upon recessing at 10:00 a.m.

22 --- Upon resuming at 10:12 a.m.

23

24 THE CHAIRPERSON: Ms. Murphy, do you have  
25 any re-examination?

1 MS. MARLA MURPHY: Having kept everyone  
2 in suspense, I do not.

3 THE CHAIRPERSON: Thank you.  
4

5 (PANEL STANDS DOWN)  
6

7 THE CHAIRPERSON: Okay. Professor  
8 Miller...?

9 MR. PETER MILLER: Thank you, Mr. Chair,  
10 and, Board Members and, ladies and gentlemen. I'd like  
11 to introduce Steven Weiss, from Salem, Oregon, who is one  
12 (1) of our expert witnesses and as agreed earlier, the  
13 only one (1) that we will be presenting orally here.

14 Mr. Weiss, would you please --

15 THE CHAIRPERSON: Professor Miller,  
16 before we begin --

17 MR. PETER MILLER: Yeah, oh, sorry.

18 THE CHAIRPERSON: Mr. Singh...?  
19

20 STEVEN WEISS, Sworn:  
21

22 EXAMINATION-IN-CHIEF BY MR. PETER MILLER:

23 MR. PETER MILLER: Okay. I guess I  
24 should proceed then.

25 Mr. Weiss, would you please state your

1 experience with utility rate making.

2 MR. STEVEN WEISS: Yes, thank you. First  
3 of all I'd like to thank you for the welcome I got coming  
4 to Manitoba. I -- it's a grand tradition you have that  
5 when visitors arrive they put their name in the paper and  
6 have a story about them.

7 THE CHAIRPERSON: We were wondering  
8 whether we needed the Hearing.

9 MR. STEVEN WEISS: That's right. So,  
10 that was -- that was very flattering, I guess. I don't  
11 usually consider myself that important.

12 My experience with rate setting; I have  
13 worked in the State of Oregon which is a small state  
14 about -- smaller than Manitoba, but on both electric and  
15 gas utility issues over the years.

16 I've also spent a lot of time on Federal  
17 issues -- rate cases. There's the Bonneville power  
18 administration is a Federal marketing agency that has  
19 about twenty (20) dams on the Columbia River. And much  
20 of my experience is with the rate setting process on the  
21 Federal system.

22

23 CONTINUED BY MR. PETER MILLER:

24 MR. PETER MILLER: Mr. Weiss, do you  
25 adopt the written testimony that you provided?

1                   MR. STEVEN WEISS:   Yes, I do.  But, I'd  
2 like to -- there was -- retract on page 23 and 24 of my -  
3 - I was corrected by Centra, and I think they are  
4 correct, I misinterpreted their explanation of their line  
5 extension policy.

6                   So, I'd like on page -- the bottom of page  
7 23, lines 24 to 27 and then page 24, lines 20, at lines 1  
8 to 5, just delete that.  That was a misunderstanding of  
9 how their rates were.  And so those paragraphs are  
10 incorrect.

11                   MR. PETER MILLER:   Please give -- could  
12 you please give an overview of what you're trying to  
13 accomplish in this proceeding?

14                   MR. STEVEN WEISS:   Yes, RCM and TREE have  
15 asked me to propose policies that would move Centra  
16 towards sustainability.  And toward that goal I've  
17 recommended the following basic points.

18                   First, to provide consumers with price  
19 signals at the margin -- marginal price signals to  
20 consumers to the extent practical and incorporate full  
21 cost accounting of the costs of using natural gas.

22                   Secondly, to incorporate those same  
23 marginal prices into all Centra's other policies  
24 including the design and funding levels for the DSM  
25 programs, their main extension policies, although -- and

1 we'll talk about that and fuel switching policies.

2           And finally to implement those policies in  
3 a manner that does not raise overall revenue requirements  
4 or cause hardship to ratepayers, especially low income  
5 customers who are most hurt by high energy burden.

6           MR. PETER MILLER:    Would you please  
7 define sustainability and give your rationale for wanting  
8 Centra to adopt this concept as a goal?

9           MR. STEVEN WEISS:    In my opinion,  
10 sustainability is the idea that an entity's actions --  
11 that an energy's action should not diminish the ability  
12 of future generations to live lives at least as  
13 productively and enjoyably as the present generation.

14           The concept is embodied in the legislation  
15 in Manitoba and it's also at the heart of many religious  
16 and ethical beliefs that nearly all of us share in, as  
17 well. In addition, policies that encourage  
18 sustainability can be seen as essential to economic  
19 optimization.

20           And let me go into these three (3) things  
21 very quickly. In terms of legislation, I don't want to  
22 get caught up into the legal debate, I'm not a lawyer,  
23 but it's clear that the Province at least, has endorsed  
24 the goal of sustainability.

25           The Sustainable Development Act, Guideline

1 1 in Schedule B of the Act requires the efficient use of  
2 resources. And they define that to mean, a) encouraging  
3 and facilitating development and application of systems  
4 for proper resource pricing, demand management and  
5 resource allocation, together with incentives to  
6 encourage efficient use of resources.

7           And b), implying full cost accounting to  
8 provide better information for decision makers. So, in  
9 essence, my testimony is an attempt to apply this  
10 guideline to Centra's policies.

11           As far as religion and ethics go, the  
12 simplest expression for what I'm talking about is  
13 commonly called the golden rule as we apply it to future  
14 generations.

15           That is, we should put ourselves in a  
16 place where our great-great-great grandchildren and many  
17 native peoples will even talk about seven (7) generations  
18 hence, and ask them what they would think when they look  
19 back on our actions.

20           Will they be pleased that we have used up  
21 irreplaceable finite natural resources or permanently  
22 changed the environment? Will they be pleased with the  
23 choices we've made? Will they think we have acted fairly  
24 towards them?

25           So, what sustain -- sustainability does is



1 it gives a voice to future generations that are not here  
2 today that they should be treated fairly, just like  
3 another customer class. They should not have costs  
4 shifted to them.

5                   Third is a principle of economic  
6 optimization. Economic optimization will not take place  
7 if tragedy of the commons effects are not dealt with. We  
8 will all come out worse.

9                   The original tragedy of the commons  
10 described villagers' access to a common pasture. Each  
11 villager has an incentive to increase the size of their  
12 herd of sheep in order to optimize his or her profit.  
13 However, if each villager does that, the result is that  
14 the common becomes over-grazed and all suffer.

15                   Sustainability requires that each entities  
16 actions not cause harm to others. And if we can come up  
17 with policies that actually do that, it will -- it will  
18 ensure long-term -- in the long-term create more wealth  
19 for all.

20                   MR. PETER MILLER: Please describe your  
21 testimony today?

22                   MR. STEVEN WEISS: I will not reprise my  
23 original testimony but welcome the opportunity, of  
24 course, to answer questions. Instead, I would like to go  
25 through Centra's rebuttal testimony which I think had

1 many mis-characterizations and erroneous inferences and  
2 answer some of the -- the charges that they brought  
3 forth.

4 MR. PETER MILLER: What do you consider  
5 the most serious error in Centra's rebuttal?

6 MR. STEVEN WEISS: Well, I counted almost  
7 a dozen instances where Centra seriously misread my  
8 testimony. And starting with their very first paragraph.

9 Over and over Centra has mis-characterized  
10 my testimony to imply that my recommendations will have  
11 the main effect of raising costs to ratepayers and  
12 adopting my proposals will place a burden or a hardship  
13 on customers. But this is simply not true.

14 I have, instead, recommended giving  
15 correct higher price signals to customers only on the  
16 margin while lowering their infra-marginal rates. This  
17 results in no net cost increase to most -- most  
18 customers.

19 In fact, the ultimate result of my  
20 proposals is to lower cost to consumers by fostering more  
21 DSM and other programs that reduce usage. And I think  
22 Centra seems to have relied on this mis-characterization  
23 -- mis-characterization as its main way of discrediting  
24 my proposals and they've used some unnecessary hyperbole  
25 to -- to -- to explain it.

1                   MR. PETER MILLER:    But wouldn't your  
2 proposals raise costs for at least some customers; those  
3 either using more than the average amount of gas for  
4 residential and those growing the fastest for commercial  
5 and industrial customers?

6                   MR. STEVEN WEISS:    Yes, but only quite  
7 modestly.  The heaviest users would pay a little more.  
8 The lighter users would pay a little less.  However, it  
9 must be noted that the heavy users impose the most costs  
10 on other customers and society in general and the  
11 environment.

12                   My proposals also call, at the same time  
13 that you're putting these price signals into effect, to  
14 increase DSM programs to help the customers reduce their  
15 use.  And, of course, those programs would mostly -- the  
16 opportunities would mostly be for the heavy energy users.

17                   MR. PETER MILLER:    But your proposals are  
18 not entirely revenue neutral; don't you want to raise  
19 more revenue for DSM?

20                   MR. STEVEN WEISS:    Well, that's not my  
21 recommendation in the short-run.  I stated that I believe  
22 the level of DSM funding proposed by Centra is adequate  
23 for now.  It's roughly 2 percent of their revenues.

24                   But, I believe it should be reevaluated  
25 periodically and that's because I believe Centra's

1 programs have -- leave much cost effective conservation  
2 on the table and therefore they should be ramped up  
3 considerably over time as the Company gets more  
4 experienced with them.

5           In any case, I do not recommend that the  
6 Company acquire any DSM that is not cost-effective. So,  
7 DSM funding, by definition, does not raise costs to  
8 customers. It may raise their rates a little bit, but it  
9 will lower there bills in the long run.

10           MR. PETER MILLER: Don't you talk about  
11 raising all rates to the marginal value over twenty (20)  
12 to twenty-five (25) years which would cost more?

13           MR. STEVEN WEISS: Yes, I have -- I have  
14 said that in my testimony that ultimately all gas should  
15 be priced at the marginal cost, but to do it gradually  
16 over twenty (20), twenty-five (25) years.

17           To move to a truly sustainable industry  
18 practice, all gas should be priced at the margin,  
19 including externalities and all the surplus revenue  
20 collected, because it would collect surplus revenue,  
21 should be dedicated to the goal of sustainability through  
22 investments in DSM programs, mitigation of the  
23 environmental impacts of natural gas use and development  
24 of renewal replacement energy supplies.

25           I do not think that these programs will be

1 overly expensive. So, the ultimate impact will not be  
2 disruptable or harmful especially if done over a long  
3 period of time.

4           On the contrary, such an industry --  
5 sustainable industry will provide lower total bills to  
6 end users and increase economic activity for the  
7 Province, with relatively little environmental impact.

8           MR. PETER MILLER: How would you like to  
9 proceed?

10           MR. STEVEN WEISS: I'd like to now  
11 respond to the particular points in Centra's rebuttal  
12 evidence, in the sequence in which they occur.

13           MR. PETER MILLER: On page 23, Centra  
14 states, quote:

15                    "In making a decision to increase cost  
16                    to Centra's customers, either directly  
17                    in the rate structure, or indirectly  
18                    through the adders to DSM cost, an  
19                    adequate justification must be  
20                    provided."

21           Do your recommendations increase costs to  
22 customers?

23           MR. STEVEN WEISS: All right. This is --  
24 this is the basis of what I was saying before, about mis-  
25 characterization of my proposal.

1                   The -- what I'm proposing does not raise  
2 rates to all customers; it raises their marginal rate.  
3 And this needs to be clear.

4                   And I'm proposing that the last cubic  
5 metres of gas should be priced at a higher price, but  
6 some base volume should be priced at a lower price, so on  
7 net, there should be no increase in -- in total cost of  
8 revenue. And if you're an average customer, you would  
9 see the exact same bill as you see now. Only the higher  
10 customers would see a slightly higher gas bill.

11                  MR. PETER MILLER:   Centra then continues,  
12 quote:

13                                 "Centra's current pricing structure  
14                                 delivers an appropriate price signal."

15                                 Do you agree?

16                  MR. STEVEN WEISS:   No, Centra claims that  
17 its current structure delivers an appropriate price  
18 signal, but I -- I do not believe it does so. Centra's  
19 prices are designed to recover embedded costs. And these  
20 embedded costs have very little to do with providing  
21 consumers a price signal reflecting the true cost to  
22 society of the use of gas.

23                                 Centra's current prices reflect only a  
24 small portion of the greenhouse gases created, both  
25 upstream and downstream, land use impacts of extracting

1 natural gas and transporting it. Natural resource  
2 depletion costs aren't completely included, nor are there  
3 what I call pecuniary opportunity that would -- could be  
4 developed if people reduced their consumption.

5           And these -- these pecuniary benefits  
6 could be captured as well.

7           So, at present, Centra does not include  
8 these costs in their rates.

9           MR. PETER MILLER: Centra argues that  
10 these costs are already internalized; do you agree?

11           MR. STEVEN WEISS: No, I don't. And  
12 let's -- I would like to go through Centra's points one  
13 (1) by one (1).

14           First, greenhouse gases. Centra's witness  
15 under cross-examination a few days ago, provided a figure  
16 of one point eight (1.8) cents per cubic metre, which  
17 when you work out the math is about seven dollars and  
18 thirty-six cents (\$7.36) a ton of carbon costs.

19           And that's not too different than the  
20 number that I'm recommending, which is ten dollars (\$10)  
21 a ton. Now, that's the low end of the Pembina's  
22 Institute Study.

23           However -- so our numbers aren't that far  
24 apart. However, there's some key differences between  
25 Centra's proposal's line and mine.

1                   First, the first key difference is, that  
2 Centra is only using this greenhouse gas in evaluating  
3 its DSM Programs, but it's not using it for rate setting  
4 purposes, whereas my proposal will use the greenhouse gas  
5 number for a number of other purposes besides DSM,  
6 including rates.

7                   Second, Centra neglects to include the  
8 upstream emissions, which amount to about 21 percent of  
9 total emissions in the life cycle of natural gas. So,  
10 Centra is including the emissions when gas is burned, but  
11 not in the extraction process, which is another 21  
12 percent.

13                   So, I believe that the vast majority of  
14 emissions that are not internalized by Centra at present.

15                   Secondly, there's land impacts. Now, in  
16 the Pembina Study on page 12, there's a number of --  
17 starting at page 12, there's a number of tables. They  
18 looked at the land impacts of conventional natural gas,  
19 of liquified natural gas, coal bed methane and so on.

20                   And just to give you some examples of the  
21 types of -- of land that impacts are talking, just from  
22 conventional natural gas, drilling mud may contain  
23 potentially harmful substances, drilling waste may be  
24 deposited in some spread on land or fill. All these  
25 options have a negative effect.



1                   The land is fragmented, and the effects of  
2 the fragmentation may extend over a large reason; there's  
3 clearing for seismic surveys, access roads, wellsite  
4 production infrastructure.

5                   And the land associated with exploration  
6 and well development can lead to a loss of wildlife.  
7 What you're doing is you're changing, you can change a  
8 forest into something that's no longer really a wild  
9 forest.

10                   Going on the Centra report, in section  
11 4.3.2, it's page 25 of their report, just to sum up what  
12 they think about the land impacts:

13                   "Human kind and other [and this is  
14 quote] human kind and other species  
15 depend on the earth's ecosystems and  
16 the services they provide such as food,  
17 water, disease management, climate  
18 regulations, aesthetic enjoyment. The  
19 cost to the society of land changes  
20 ranges from the loss of bio-diversity  
21 and habitat fragmentation to loss of  
22 prime farmland and recreational access.  
23 Currently, there is no accepted  
24 methodology for valuing external costs  
25 of land change and the uncertainty

1 associated with any such estimates  
2 would be significant. While there are  
3 a broad range of impacts associated  
4 with land change, for the purpose of  
5 this study, the Pembina Study, the  
6 value of land and its alternative uses  
7 is used to establish an estimate for  
8 some of the costs that are not accounted  
9 for in conventional pricing schemes.  
10 Specifically, they pick one (1) cost to  
11 look at; the value of timber on a per  
12 hectare cost is estimated. It is  
13 important to note that the land change  
14 cost presented here are not the actual  
15 externalities. To reach a more  
16 accurate estimation of the real  
17 external cost of land change, many  
18 additional land impacts would need to  
19 be considered, such as habitat  
20 fragmentation, loss of biodiversity and  
21 so on. Although addressing these  
22 issues comprehensively was beyond the  
23 scope of this report, two (2)  
24 qualitative analysis have been included  
25 to begin a discussion of the topic.

1                   And so, Pembina picked one (1) thing as a  
2 surrogate for all land impacts; the value of the lost  
3 timber value.

4                   I'm not sure if that's the right one; if  
5 it's a good surrogate, if it's too low, too high. I used  
6 in my analysis, the lowest of the ranges that they did.  
7 I would recommend that we need more conclusive study.  
8 Centra's made the argument that perhaps royalties and  
9 other taxes cover these costs. I'm very doubtful.

10                   However, if they do, if the royalties  
11 after more study, royalties and taxes do cover these land  
12 impacts then I wouldn't advocate double charging  
13 customers. But, at the moment I think that these cost  
14 are not being internalized at all -- very much.

15                   Finally, there's resource depletion, or  
16 depreciation. In its rebuttal, Centra has argued that  
17 depletion should not be considered as a -- as an  
18 externality, and for two (2) reasons.

19                   First, Centra argues that there's probably  
20 a lot more gas out there than we know about. There's  
21 exploration going on there's going to be -- we're not  
22 even close to depleting this resource.

23                   And secondly, Centra argues that  
24 government policies such as royalty payments and taxes  
25 adequately encompass this cost now, so it's not an

1 additional externality.

2           Now, I'm not arguing that there is not a  
3 lot more gas out there. There probably is. But, I'm  
4 less certain about the price. It may be quite expensive  
5 in the future. It is also likely to be more greenhouse  
6 gas intensive because the longer transportation distances  
7 for LNG requires refrigeration, pumping and so on.

8           In any case, it's still a finite, non-  
9 renewable resource. I expect for those reasons that the  
10 future price of gas will be higher than the present  
11 price.

12           It could be much higher. We've seen price  
13 increases in the last decade that astounded everyone.  
14 Thus internalizing the present cost of gas is probably --  
15 I mean -- including only the present cost of gas  
16 probably underestimates what the future cost of gas will  
17 be.

18           I believe it's poor public policy also to  
19 encourage eating the seed corn. It's unfair to future  
20 ratepayers, future generations to use up capital without  
21 replacing it. This is the principle of sustainability.

22           A private lumber company should not cut  
23 more lumber each year than its land can grow, otherwise  
24 it is benefiting present shareholders at the expense of  
25 future ones. Instead, it should either harvest only that

1 amount or invest some of the proceeds in replanting or  
2 acquiring land so that it doesn't reduce the  
3 opportunities it has.

4           This is also true for its capital invested  
5 in the equipment. This company just won't run its trucks  
6 into the ground or its mill -- the company will invest  
7 enough to fix and replace and keep their capital and --  
8 so that ten (10) years from now, they'll have at least as  
9 much capital there as they have now.

10           The cost to replace a finite resource such  
11 as gas is the cost of DSM or renewables. Centra should  
12 invest enough money to reduce and replace the gas it uses  
13 so that future generations will have the same amount of  
14 resources presently held.

15           As I said, this is the golden rule applied  
16 to our great-grandchildren. We have no right to consume  
17 finite resources unless we replace them. We have no  
18 greater right to them than our future -- future  
19 generations do just because we can get away with it.

20           One can imagine future generations asking,  
21 why did you take all the cheap stuff? You know, what  
22 right to you have to take the cheap gas and leave me with  
23 the expensive gas; that's a cost shift.

24           So I think it's important that we -- that  
25 we have future generations in the room when we're making

1 these decisions.

2           As far as government royalties, like I  
3 said, I'm not -- I don't believe that they're high enough  
4 to do the job and so those costs are still externalities.  
5 Centra may believe otherwise. A way to resolve this  
6 difference is through an appropriate study.

7           MR. PETER MILLER: Centra argues that a  
8 more appropriate place to internalize environmental  
9 externalities and resource depletion is through  
10 government action, not utility prices, policies or  
11 programs?

12           MR. STEVEN WEISS: Well first I'd respond  
13 to that by noting that Centra, as far as I understand, is  
14 a government agency connected to government and thus  
15 shares this responsibility.

16           Second, utility rates and other utility  
17 policies are most immediate to customers' use of gas.  
18 Governmental action would be less direct and you probably  
19 wouldn't want the provincial government messing around  
20 and dictating rate design and so on.

21           Third, if government should decide to  
22 internalize the externalities by some other means, and  
23 I'm not recommending that Centra do it a second time, but  
24 so far government has not done it yet except by setting  
25 out the sustainability principles that are supposed to be

1 followed.

2                   Finally, I would say that I reject the  
3 notion of justifying inaction by saying it's someone  
4 else's job. Until someone else is doing it, it's our  
5 job.

6                   MR. PETER MILLER: Centra states that  
7 other utilities aren't incorporated any consideration of  
8 externalities in the pricing of gas deliveries because I  
9 did not provide -- because you did not provide such  
10 evidence; how do you respond?

11                   MR. STEVEN WEISS: Well first of all, my  
12 lack of experience beyond California and the Northwest  
13 United States shouldn't be taken as evidence of what's  
14 happening outside those states.

15                   These policies are prevalent in the areas  
16 where I do have experience, so there's no reason to  
17 assume that they're not taking place in other  
18 jurisdictions. My budget was limited, so it would be a  
19 good idea for Centra to conduct its own research to find  
20 out what the situation is elsewhere.

21                   I think it's a good idea for --  
22 periodically for any utility to survey what the industry  
23 is doing in other -- other areas and there's a lot of  
24 good -- good ideas out there.

25                   But most important, the world has changed

1 in the last ten (10) years. Global warming is becoming  
2 the pre-eminent issue. It wasn't considered very  
3 important, even a decade ago.

4           Secondly, the price of gas has tripled. I  
5 mean, we had -- we had -- gas was so cheap that DSM  
6 programs and pricing schemes and inverted rates and all  
7 these things really almost weren't important.

8           And that's changed and I think a lot of  
9 utilities are still -- gas utilities especially have --  
10 have were existing in that world and the world is  
11 changing. So the time to change policies is now  
12 regardless of what other jurisdictions are doing.

13           MR. PETER MILLER: Centra argues, on page  
14 29, that your proposals to include adders for  
15 environmental externalities that are now or in process to  
16 be internalized by other entities, might result in  
17 double-counting, and here's a quote:

18           "In essence, Manitoba consumers would  
19 end up paying for these implications  
20 more than once. These other policy  
21 tools are more effective and equitable  
22 than imposing extra costs on Manitoba  
23 consumers."

24           Do you agree?

25           MR. STEVEN WEISS: Well once again,



1 Centra brings up this ultimate rejoinder that's supposed  
2 to deliver the knockout punch to my proposals that  
3 somehow my proposals will impose extra costs on  
4 consumers.

5                   But as I said, that's not my proposal. My  
6 proposal is to raise marginal costs but lower intra-  
7 marginal costs and so that costs wouldn't change very  
8 much.

9                   Also, if there is some double-counting, if  
10 externalities are accounted for by a carbon tax or other  
11 policies, then there's no reason for -- for -- we  
12 wouldn't propose that Centra should do it twice. So  
13 there'd be little harm done to consumers.

14                   In fact, I've really been ultra  
15 conservative in my proposals. Pembina, for instance,  
16 selected only a couple of externalities, and I selected  
17 the lower -- the lowest of the range of add-ons.

18                   I only used one-third (1/3) of the avoided  
19 T&D costs that was used in the methodology that's used in  
20 California. I used only one tenth of the value of  
21 pecuniary opportunities, when I -- when I added up my  
22 adders.

23                   And so, you know, in some sense I might  
24 have actually been too modest at the price signal and my  
25 proposal maybe isn't even strong enough. But I think

1 I've taken a very careful, modest approach that would --  
2 that could be phased in slowly.

3 MR. PETER MILLER: Centra argues that  
4 programs to reduce gas use will not result in avoiding  
5 significant distribution infrastructure, and thus its  
6 rates and policies need not reflect avoided costs --  
7 avoided distribution costs?

8 MR. STEVEN WEISS: Well there was a lot  
9 of confusion on this point, I agree. There's pecuniary  
10 interaction between Centra's electric and gas business  
11 and it gets complicated, because unlike many other  
12 utilities, when -- if someone switches from gas use to  
13 electricity use, it creates extra revenues, because of  
14 export sales and so on.

15 So there's -- there's complications. But  
16 I'd like to step back from those complications.  
17 Basically, if energy use increases, someone has to bill  
18 new infrastructure, and that's my simple point. It might  
19 be Centra's gas side, it might be Centra's electric side,  
20 it might be Minnesota in Minnesota's gas side, their  
21 electric side so, who knows. When use of energy goes up,  
22 someone has to pay to increase the infrastructure to  
23 deliver.

24 And so that's why it may be an  
25 externality, it may not be internal, it may be somebody

1 else's costs, but that -- but it's still a real cost,  
2 it's a cost to society.

3           Centra then responds with its standby  
4 misrep -- misrepresentation position, quote:

5           "It stretches credulity to ask Manitoba  
6 consumers to pay to offset incremental  
7 costs of transporting, delivering gas  
8 in Minnesota."

9           But that's not what I propose. I'm not  
10 proposing that Centra send money to the United States,  
11 except for my fee of course.

12           But instead, I'm just saying that they --  
13 those costs are real, and they should be, even if someone  
14 else has to pay for them, and therefore they should be  
15 incorporated into consumer's marginal rates and in  
16 Centra's policies.

17           MR. PETER MILLER: How do you respond to  
18 Centra's criticism of your proposal to incorporate a  
19 measure of price elasticity of demand into Centra's rates  
20 and policies?

21           MR. STEVEN WEISS: Well this is an  
22 interesting part of my testimony, and probably maybe new  
23 to many of you.

24           This is the idea that if -- if consumers  
25 will reduce their amount of gas they -- they use, prices

1 fall, and that -- that benefits everyone, and so that we  
2 should encourage policies and capture that benefit.

3           The problem is of course, Centra's just --  
4 consumers are a very small part of the North American  
5 pool, if Centra's customers use less gas, it will reduce  
6 prices to everyone.

7           But a minuscule amount, and it's going to  
8 benefit Californians and New Yorkers and Albertans and  
9 everyone, to a very small extent.

10           However, Centra didn't dispute my  
11 reasoning or even my quantification, I was gratified to  
12 see when they worked through the numbers that -- that  
13 their number for the elasticity was -- was exactly the  
14 same as -- as the one (1) I came up with.

15           Instead, Centra argues that it should not  
16 design rates or other policies that incorporate this  
17 logic, because to do so would result in an immediate  
18 increase to the price of natural gas faced by Centra's  
19 customers in the expectation of reaching future pecuniary  
20 benefits sufficient to offset the original price increase  
21 and provide a strong return. And that's page 34.

22           So what they're saying is that if Centra's  
23 customers reduce their usage, they're not going to  
24 capture the savings, the savings are going to go all over  
25 the place, and so it's not worth doing.

1                   The problem is that's a mis-  
2 characterization of my proposal, the same mis-  
3 characterization. Centra views this proposal as one (1)  
4 of raising customer's costs as sort of an investment in  
5 future benefits.

6                   But I'm not proposing that. I apologize  
7 for having to say this again, but that's not my proposal.  
8 My proposal is to increase customer's marginal rates to  
9 reflect this pecuniary opportunity, but not increase  
10 overall costs.

11                   There's no investment, there's no  
12 experiment. There's only a real price signal given to  
13 consumers, reflecting the benefit to all consumers of  
14 reducing their use.

15                   MR. PETER MILLER: On page 36, Centra  
16 agrees with your contention that increased conservation  
17 will provide indirect benefits in the form of jobs,  
18 reduced energy bills, increased property taxes, but  
19 argues that these benefits are not worth the cost.

20                   Centra states:

21                   "Mr. Weiss conveniently overlooks,  
22                   however, that his proposal to capture  
23                   these pecuniary benefits is an increase  
24                   in the price to Manitoba natural gas  
25                   consumers. Furthermore, Mr. Weiss'

1 evidence is also silent on the issue as  
2 to whether the pecuniary benefits are  
3 sufficient to offset the burden he  
4 would impose on natural gas customers."

5 MR. STEVEN WEISS: I won't go into this  
6 again, again that's not my proposal. My proposal is to  
7 just change the marginal rate, not the rate, so it's not  
8 going to increase the cost to customers. But it does  
9 development real savings to Manitoba.

10 MR. PETER MILLER: Centra asserts that  
11 your recommendations with respect to pecuniary benefits  
12 could produce damaging results. Do you agree?

13 MR. STEVEN WEISS: Well again, I'm going  
14 through point by point and maybe sounding like a broken  
15 record here, that's not my proposal. My proposal is  
16 quite modest. If you look at page 17 in my original  
17 testimony, I had a little tiny example, in fact, it was  
18 the same example that was in the newspaper this morning,  
19 where I said, What would a proposal look like.

20 And I just ran some numbers and I did a  
21 proposal that would have an adder equal to the nine point  
22 three (9.3) cents per cubic metre that my adders come up  
23 to for the externalities and I would add that to the  
24 marginal rate.

25 So, I would structure the rate so that an

1 average user, an average user using thirty-two hundred  
2 (3200) cubic metres a year, would pay the exact same  
3 amount. Someone using a lot less, only twenty-two  
4 hundred (2200) cubic metres, would save ninety-three  
5 dollars (\$93). It's not a huge discount, but it's a  
6 discount.

7                   And someone using quite a bit more, forty-  
8 two hundred (4,200), would pay ninety-three dollars (\$93)  
9 a year higher.

10                   That's not a radical proposal. It's a  
11 slight price signal. It's probably too small, but I  
12 think it should be reevaluated in a couple of years and  
13 then maybe it should be increased if it looks like it's  
14 being accepted and it doesn't create hardships on people  
15 and so on.

16                   So, some people rates would go up a little  
17 bit at the margin, some peoples rates would go down,  
18 down, and I think it makes a lot of sense.

19                   MR. PETER MILLER: Moving onto another  
20 topic, could you please explain decoupling?

21                   MR. STEVEN WEISS: Another proposal I  
22 made is for decoupling and I'm not sure if the Board is  
23 familiar with how decoupling works and the purpose of it.

24                   Decoupling is meant to deal with the  
25 problem that since -- especially with the smaller

1 customers, you're collecting much of their revenue  
2 volumetrically. That if you have a real cold winter, the  
3 company over collects what it really needs. And if you  
4 have a warm winter the company loses money, under  
5 collects what it needs.

6                   And so this would get worse under an  
7 inverted rate system because the marginal rate would be  
8 higher and the fluctuations, due to weather or  
9 conservation efforts and so on, are -- would even be  
10 worse. So it creates a volatility.

11                   In my -- and so the way decoupling works  
12 is it adjusts rates slightly. And in the jurisdictions  
13 that its being used, it turns out over the year that most  
14 -- most adjustments are only like 1 or 2 percent.

15                   But month by month or at the end of the  
16 year, I like month by month better, but, the rate is  
17 adjusted slightly up or slightly down, depending on the  
18 weather and depending on the consumption patterns.

19                   So, you can forecast how well your DSM is  
20 going to reduce consumption pretty well, I mean it's not  
21 going to be exact. Whether you have an elasticity factor  
22 you can kind of -- you're pretty have experience with you  
23 know what happens when weather is cold or weather is  
24 warm.

25                   And so you have a slight adjustment up or



1 down of the rate, month to month, to take the company  
2 out of the risk of reduced consumption. Decoupling was  
3 originally developed for profit making utilities, IOU's,  
4 investor owned utilities, because their shareholders  
5 didn't want to see people reduce their use, because every  
6 time they did a conservation program their shareholders  
7 would eat it because revenues would go down.

8           And so public interest groups like -- like  
9 myself came up with this idea of decoupling to protect  
10 the shareholders so that they would not have an incentive  
11 to sell more gas. We want them to have an incentive --  
12 or at least be neutral to how much gas people use. They  
13 should run their utility, they shouldn't care how much  
14 gas is used.

15           In fact they should hopefully care to  
16 reduce people's gas use. So that's how decoupling came  
17 about. I think it's a good idea, whether you go to  
18 inverted rates or not. It protects the customers and it  
19 protects the company.

20           In a cold winter, especially low income  
21 customers who I represent in my own organization, they go  
22 through two or three cold winters in a row and it really  
23 hits them hard and the company is sitting there with lots  
24 of extra money that they really didn't need. They're  
25 over-collecting.

1                   So, that's the time when a rate reduction  
2 would occur and it would help -- and it would help them.  
3 In a warm winter the company hurts and the company's  
4 credit rating is hurt. The cost -- the cost of capital  
5 can go up.

6                   I know you rely on the provincial credit  
7 rating but it still all adds together and in a warm  
8 winter is when a poor person can, at least, afford their  
9 bill because it's low. So if they pay a little surcharge  
10 in a warm winter they're not hurt too much and they get a  
11 discount in a cold winter.

12                   So that's what decoupling does. I think  
13 it's a great idea. It's something that you should  
14 consider, whether or not you do inverted rates. But it's  
15 more important with inverted rates because with inverted  
16 rates the volatility is even worse because you're pricing  
17 at the margin in a higher -- higher price.

18                   MR. PETER MILLER: Centra points out two  
19 (2) problems with marginal cost pricing or tiered rates;  
20 adverse impacts on customers with larger than average gas  
21 consumption and an inappropriate, i.e., too low, price  
22 signal to those using less than the base volume.

23                   How would you respond?

24                   MR. STEVEN WEISS: I agree that these  
25 effects do occur under tiered rates. While my proposals

1 will not increase Centra's overall revenue requirement,  
2 except maybe if they increase their DSM funding, but only  
3 to cost-effective levels, individual customers may see  
4 their bill increase like we just -- we just saw in the  
5 table.

6                   In my example, for instance, average users  
7 see no change. Those with about 70 percent of average  
8 would see a 9 percent decrease in their bills compared to  
9 the flat rate and those using 30 percent more would --  
10 would suffer a 5 percent increase, compared to flat  
11 rates.

12                   I don't think those changes are excessive;  
13 they might not even be strong enough. But I think it's a  
14 good first step and you can -- you could go further in  
15 lighter years.

16                   These price signals make sense. It's the  
17 higher volume users who have more opportunity to become  
18 more efficient. They can best take advantage of DSM  
19 programs. So there is a justification in targeting more  
20 of the costs to them.

21                   Low volume users will be rewarded for  
22 their past conservation efforts and receive a price  
23 signal that gives them an incentive not to increase their  
24 usage too much. Energy is both a necessity and a luxury  
25 and this is why this base volume that is low -- is

1 lowered by my proposal is sometimes, in a lot of  
2 jurisdictions, called a lifelong rate.

3           Because if you can keep your usage down  
4 and just use the minimum your bill actually will go down.  
5 But above that amount, or much above that amount, energy  
6 becomes a luxury and it's a luxury that society can't  
7 afford and it's a luxury that doesn't need to be wasted.  
8 We can do DSM programs.

9           So, I think it -- it's a good price signal  
10 and it gives the higher users an oppor -- you have to do  
11 it at the same time that you have DSM programs in place  
12 to give those higher users an opportunity to reduce their  
13 usage.

14           MR. PETER MILLER:    Centra concludes, on  
15 page 40 of the rebuttal, that the use of inverted rates  
16 is restricted to California and possibly a few other West  
17 Coast states; is this conclusion justified?

18           MR. STEVEN WEISS:    Well, I'm not sure.  I  
19 wasn't -- I don't have experience with the other  
20 jurisdictions.  I would be surprised that it's all that  
21 unusual, to tell you the truth.

22           It is more unusual with gas utilities.  As  
23 I explained, gas utilities have only recently seen the  
24 price increases and so haven't reacted.  It's very common  
25 in electric utilities, however, and there's no reason to

1 conclude that it -- that it wouldn't work for -- for gas  
2 utilities.

3 I think Centra could easily gather this  
4 information and should do a study and find out. We  
5 should -- we should find out and see what others are  
6 doing.

7 MR. PETER MILLER: Last Wednesday Mr.  
8 Wiens, and this is at the transcript page 1901, lines 3  
9 through 25, confirmed that his research showed that the  
10 step rate difference between first and second block in  
11 California is 20 percent, and that externalities and  
12 other avoided costs are required to be taken into account  
13 in designing conservation programs, and determining  
14 values for self generated electricity.

15 He acknowledged that there is a tiered  
16 rate based on long run marginal costs, but he was unable  
17 to -- to determine the extent, if any, to which  
18 externalities are reflected in the marginal long term  
19 cost, as it applies to the rate design in California.

20 Do you have any information to add to that  
21 which Mr. Wiens so succinctly summarized?

22 MR. STEVEN WEISS: Yes, when I saw that,  
23 I -- I called some people in California to find out how  
24 their rates are set down there. And, unfortunately, it  
25 kind of gets into old history.

1                   It used to be that the rate -- the  
2 inverted rates in California were based on future  
3 electricity prices or future gas prices, and some -- some  
4 including externalities, they use a sort of a 10 percent  
5 number, just to kind of include all externalities, what  
6 they are -- the unknowns they -- they would call it.

7                   However, what happened in 19 -- in 2001,  
8 after the energy crisis there, the California legislature  
9 passed a -- a bill which froze base rates, or the life  
10 line rate, at -- and -- and said, utilities cannot raise  
11 that rate, period, unless the law is changed.

12                   And, so now, any rate increases have to go  
13 on the higher tiers. So the higher tiers, in a sense,  
14 it's always higher and it's been increasing, because  
15 anytime there's a new cost it gets tossed into this  
16 higher -- higher tier. But I wouldn't say it's connected  
17 to externalities, it's just sort of what -- what  
18 happened.

19                   So in a sense I think that Centra's  
20 probably correct. But certainly they -- they have quite  
21 heavy tiered rates. Their tiered rates, they actually  
22 have five (5) blocks, when you get into the third/fourth  
23 block, your rate is 200 to 300 percent higher than --  
24 than the base blocks. So, I mean, they don't fool around  
25 down there.

1                   If you -- if you're using a lot of  
2 electricity, you -- you pay for it. So, anyway, that's -  
3 - that's what I found out from California.

4                   MR. PETER MILLER:   Thanks. Moving on to  
5 DSM, in your testimony you noted that Centra's proposed  
6 DSM budget of about 2 percent of its revenues would put  
7 it in the top tier of utility spending, compared to other  
8 gas utilities you have knowledge of. But is 2 percent  
9 the right amount?

10                  MR. STEVEN WEISS:   It is true that a  
11 funding level of 2 percent should be applauded. However,  
12 I wouldn't get too excited about it. There's one (1) gas  
13 utility in California, PG&E has a 4 percent surcharge,  
14 it's -- it was Attachment 9-A of -- an attachment to our  
15 testimony.

16                  And as I -- as I mentioned in -- in my own  
17 testimony, gas utilities have done very little DSM in the  
18 past, because the price of gas has been so low. So given  
19 the rapid rise of gas prices, I have a feeling that even  
20 2 percent, which seems pretty robust, and I would think  
21 the company should be applauded for it, still may not  
22 adequately fund all the cost effective conservation.

23                  Now Centra argues, on page 44 of its  
24 rebuttal, that most energy efficient opportunities are  
25 not on the margin in terms of being economic. So what

1 they're saying is whether they have externalities or not,  
2 it doesn't really matter, they're doing everything that's  
3 cost effective and there's not too much stuff right on  
4 the borderline that would be affected.

5           And they're also implying that the  
6 proposed funding level is sufficient. However, I believe  
7 Centra has not provided any evidence of -- of whether  
8 it's a sufficient amount.

9           If we look at the Executive Summary of  
10 Centra's potential scoping setting, the first page, it's  
11 double little I (ii), I think. It's -- it's a one (1)  
12 page summary of the scoping study, right at the  
13 beginning.

14           Centra is just targeting a very tiny  
15 amount of the achievable potential. On that -- on that  
16 page, the achievable potential they show is in  
17 residential, for instance, the economic potential is 13.5  
18 percent of whatever measures they look at, I guess.

19           But they're only going to -- and there the  
20 achievable potential is only 2.8 percent. I mean, my  
21 question is why -- what's stopping us from getting to 13  
22 percent.

23           There's two (2) factors that affect how  
24 much DSM you do. One (1) is how far up the supply curve  
25 you do measures, that is how much insulation you should



1 do, the cost of the measures.

2           And, of course, you only want to do the  
3 cost of measure, not the cost effective. My cost  
4 effectiveness level includes adders. Centra's cost  
5 effectiveness level does not, but, except it does have  
6 some greenhouse gas.

7           But we don't know -- we've never been  
8 given a supply curve, so there's no way of knowing how  
9 far up we are. We know on average that the cost of their  
10 measures they're talking about are twelve (12), thirteen  
11 (13) cents a cubic metre and -- whereas the price of gas  
12 is twenty-four (24) or twenty-five (25), whatever.

13           And so what's in between? I mean is there  
14 a lot more to be done, we don't know. So it would be  
15 good to have a supply curve and we could actually look at  
16 the measures and see if there's more.

17           The second way to increase funding --  
18 increase potential, is you do the programs faster. I  
19 mean how fast you go; should you do ten (10) houses a  
20 year, should you do a thousand (1,000) houses a year.  
21 That's a decision that depends on your budgets and so on.  
22 And so I think, even if it looks like you're doing all  
23 the measures, why wait until 2018 to finish them? Why  
24 not do them in five (5) years, six (6) years?

25           The faster you do it, the better and more

1 the savings are and the quicker they come. So some it  
2 may be limited by new construction, I'm not sure and  
3 obviously you can't do new construction before it comes -  
4 - comes on line. But we really don't have much details  
5 in this report to test whether that's the right measure.

6                 So -- so my -- you know -- in summary I'm  
7 saying 2 percent looks pretty good and I think it should  
8 be approved, I would urge that you approve it, but I  
9 don't think you should be satisfied. I think you should  
10 ask the company to do a more serious scoping plan and  
11 more serious analysis, come up with a price curve, find  
12 out if we should go faster. Run out these programs, see  
13 how they work.

14                 Now, in fact, there was a -- there was a  
15 conversation I saw, an interaction, in the cross-  
16 examination about -- who was it, Mr. Kuczek talking to  
17 builders about -- was that who it was?

18                 MR. PETER MILLER: Yeah.

19                 MR. STEVEN WEISS: Yeah. Builder and why  
20 they were -- why the didn't seem to want to be able to  
21 build to the higher levels and so on.

22                 And that would say to me that there is  
23 some sort of marginal level that you're not getting up  
24 to. Maybe if those builders were given a higher  
25 incentive they would go forth. I mean that's usually how



1 practice. Everybody wanted these homes. The  
2 manufacturers had switched their equipment, it was  
3 standard practice again. In a matter of five (5) or six  
4 (6) years, it became new building code. We didn't have  
5 to give any incentives. We didn't have to give -- have  
6 any programs.

7           And so for every house we incented it  
8 probably created two (2) or three (3) more houses down  
9 the road. You have to think of that when you're looking  
10 at what's cost effective. Don't have a narrow view.  
11 Look at what the effect on the marketplace is.

12           Because sometimes you may have to spend  
13 more than what's cost effective on the particular house,  
14 but, it changes the market and it creates free savings  
15 later on.

16           MR. PETER MILLER: Let's go on to PFC and  
17 TRC. Centra argues against using a total societal cost  
18 test, TSE, and favours instead it's TRC, total resource  
19 cost. Explain the difference as you see it.

20           MR. STEVEN WEISS: Well, TRC emits costs  
21 to others, outside of the Utility and its customers. It's  
22 -- in the TRC test only looks at costs to customers and  
23 the Utility.

24           TSC includes environmental externalities,  
25 cost shifts to others for those pecuniary effects.

1 Environmental externalities, you can think of as costs  
2 shifts to others, future generations of the planet and so  
3 on.

4                   And so that's the difference. Total --  
5 TSC or total system costs or sometimes called full cost  
6 accounting includes all costs borne by the customers and  
7 other -- others and society in general, whereas the TRC  
8 does not.

9                   MR. PETER MILLER: Which do you favour  
10 TSC or TRC?

11                   MR. STEVEN WEISS: Well, TSC. First,  
12 ethically, I don't think we have the right to impose  
13 costs on others without their permission, even if we can  
14 get away with it just because they don't exist right now  
15 -- coming -- coming later.

16                   Like I said, it's sometimes known as the  
17 golden rule. Thus if our energy use causes others' costs  
18 to increase that should not be encouraged.

19                   Second, besides ethics, economic  
20 optimization will not take place. It's the tragedy of  
21 the commons that it's not dealt with.

22                   And as I explained, the tragedy comes  
23 about common pasture and herders deciding how many sheep  
24 they should -- they should buy.

25                   Now, the problem is that the pasture

1 simply can't support all the sheep if everybody was just  
2 given free licence to acquire sheep.

3           If somehow every villager could be gotten  
4 to decrease its use everyone would benefit. The problem  
5 is, how do you get to do that. If only some cut back  
6 everyone else wins at their expense. They're sometimes  
7 called free riders.

8           So, it's unlikely that they will reduce  
9 their usage voluntarily.

10           MR. PETER MILLER: Well, then, how can we  
11 get the potential benefits of a healthy pasture.

12           MR. STEVEN WEISS: Well, it depends on  
13 how you set up the rules. If someone -- if you have some  
14 sort of ruling body, if someone can set up a rule for  
15 everyone then no one suffers since everybody reduces the  
16 use at once.

17           But, that's impossible if the pasture  
18 covers the whole of North America or even the entire  
19 planet and future -- present and future users. This  
20 Board's jurisdiction only covers a very small piece of  
21 that whole.

22           But there is another way. You can set up  
23 rules for your jurisdiction and encourage good behaviour  
24 without punishing your folks for doing the right thing.  
25 Then you hope that your example and other advocates in

1 other jurisdictions will gradually change everyone's  
2 rules.

3                   If that occurs, great. If not, your folks  
4 aren't harmed. And I call this new rule, tiered rates.  
5 You provide your people a price signal for optimum  
6 behaviour but you don't raise their total costs.

7                   You price usage at the margin -- at the  
8 marginal costs while lowering the price for a volume of  
9 lower usage. Average users pay no net change, high users  
10 pay a little extra, low users pay less on average.

11                   In addition, you use some of the money  
12 from the heavy users to fund efficiency programs to help  
13 them lower their usage. Overall, you adjust these rates  
14 to continue to only collect your jurisdiction's share of  
15 the total costs.

16                   In this way you can do the right thing,  
17 both ethically and economically, without hurting your own  
18 share of the village.

19                   MR. PETER MILLER: Centra opposed your  
20 proposal to allow large industrial and commercial  
21 customers to self-direct a portion of DSM funds because  
22 the Company has developed internal technical expertise in  
23 the areas of industrial energy efficiency and thus can  
24 implement these programs more cost-effectively.

25                   How do you respond?

1                   MR. STEVEN WEISS: Well, this was part of  
2 my proposal on DSM programs. In Oregon, for instance, we  
3 have a different way of funding programs; it's called the  
4 public purpose charge. It's a 3 percent charge across  
5 the board; everyone pays it.

6                   And -- and it goes to an agency, it's  
7 actually not the Utility, it's a separate agency that  
8 implements the programs. However, large users, the big  
9 industrial users and big commercial users have a -- have  
10 a self-direct exemption.

11                   It's -- it -- it's a use it or lose it  
12 thing. It says, if you use that money in your own  
13 facility in your own plant you don't have to send it in  
14 to the other guys.

15                   They don't get to -- but if you don't do  
16 your own programs then you have to send the money in and  
17 somebody else, maybe even your competitor's going --  
18 going to use it.

19                   So, it provides two (2) things. It  
20 provides high motivation. We find that one of the  
21 problems with industrial and large commercial  
22 conservation is these companies have a timeline of six  
23 months or a year. They have to have a quick payback.  
24 They have very high demand on their capital and they're  
25 not motivated.



1                   Use it or lose it provides an important  
2 motivation. Secondly, they have expertise. Now, I know  
3 that Centra says it has expertise, but I simply can't  
4 believe that they have expertise in all the different  
5 processes and retail and -- and manufacturing plants that  
6 these plant -- that these guys have.

7                   They're there everyday. They know their -  
8 - they have trade secrets that they're not going to  
9 reveal to the -- to the Company, to Centra, and so on.

10                  Also, I don't think at ratepayer expense,  
11 Centra should have a vast technical staff that knows  
12 everything about, you know, fertilizer, and knows stuff  
13 about -- about all these different -- you know, why  
14 should ratepayers be paying for expertise to help the  
15 industrial customers.

16                  Let's -- so what I would say is have a  
17 robust DSM Program, and allow the bigger customers to  
18 self direct. I think it really will make those customers  
19 sign on.

20                  However, if you're happy with what you're  
21 doing, you really think that it works, great. It's just  
22 a suggestion, I think it works well, you -- you might  
23 think that.

24                  MR. PETER MILLER: Centra argues that  
25 your proposal to collect DSM funds volumetrically,

1 creates, and I quote:

2 "A cross-subsidy between those who  
3 contribute to the program and those  
4 able to gain access to the funds."

5 And that's on page 26 -- pardon me, 46.

6 Instead, the company advocates that DSM  
7 costs should be allocated by customer class, based on the  
8 funds expended in the customer class."

9 What is your response.

10 MR. STEVEN WEISS: Well, I think Centra's  
11 proposal violates its own cost causation principles. By  
12 allocating DSM costs to an entire class, then customers  
13 in the class who don't participate have to pay the bill.  
14 So their company -- their proposal creates cross-  
15 subsidization within the class.

16 So, it's no better than -- than mine, in  
17 fact, it's -- it's probably worse. My proposal is that  
18 it be done volumetrically, and that the costs be  
19 allocated just like a resource acquisition.

20 First of all I reject the reason and the  
21 idea that DSM costs and benefits must be absolutely tied  
22 together, because I maintain that a good portion, not  
23 all, but a good portion of the benefits of DSM accrue to  
24 all customers in the form of fewer emissions, land --  
25 land impacts, natural resource depletion and the social

1 and price reducing benefits that I have called pecuniary  
2 opportunities.

3           Simply put, I believe DSM costs should be  
4 treated simply as costs of acquiring new resources, just  
5 like the cost of acquiring more gas, so it should be  
6 collected and allocated volumetrically.

7           Cross-subsidization between participants  
8 and non-participants is always going to be a problem with  
9 the DSM Program. And the way you solve it isn't trying  
10 to allocate exactly everybody gets the money they put in.  
11 Instead it's solved by having a vast array of programs,  
12 so there are very few non-participants; that everyone can  
13 participate.

14           In any case, my proposal comes closer to  
15 meeting the cost causation goal than does Centra's.  
16 Centra's proposal charges all the customers in a class  
17 willy-nilly, regardless of whether they are able or want  
18 to take advantage of DSM opportunities.

19           My proposal at least causes more in the  
20 cost of DSM programs to larger residential users, and the  
21 fastest growing commercial and industrial users; the ones  
22 who have the most opportunity and the most incentive to  
23 use and profit from this program. So, I think mine is  
24 closer to cost causation than the Company's existing  
25 policy.

1 MR. PETER MILLER: Let's move on to fuel  
2 switching.

3 Centra argues that fuel switching should  
4 not be part of its DSM Programs, because fuel switching  
5 is, quote:

6 "A customer's decision."

7 And that, quote:

8 "Fuel switching does not increase the  
9 efficient use of energy."

10 Why do you disagree?

11 MR. STEVEN WEISS: I believe Centra is --  
12 is just wrong. Fuel switching does or can increase or  
13 just decrease the efficient use of energy. If you are  
14 burning gas in a combustion turbine, and then you're  
15 creating electricity and then you run out of electricity  
16 out to somebody's house and they heat water with it,  
17 they're going to use more BTU's than if you're just  
18 running gas out there and -- and heat the water directly.

19 It's obviously clear, that how you use the  
20 fuel can be more or less cost efficient. And that  
21 doesn't mean that it's always worthwhile to switch your  
22 water heater. I mean you have venting problems and maybe  
23 you've got a perfectly good water heater you don't want  
24 to throw away, and there's all sorts of reasons why it  
25 might be cost effective or not cost effective.

1                   And it's very particular. It depends on  
2 your insulation. It depends on all sorts of things;  
3 should you go with a heat pump, should you go with space  
4 -- an electric heat, gas heat. It depends on if you're  
5 hooked up to the main or you need a main extension. All  
6 -- all kinds of individual case by case things are  
7 important to decide.

8                   But it's simply not true that the choices  
9 should be just left to the customer, because there's huge  
10 differences in the efficiency of -- of appliances and  
11 efficiency of use on a societal basis.

12                   So, I believe that Centra should look at  
13 fuel switching, just like it looks at other costs -- at  
14 other DSM programs and decide which ones are cost  
15 effective and which ones aren't.

16                   It may turn out, for instance, that it's  
17 worth it to pay builders to build gas heated houses. It  
18 may be worth it to incent at the store when somebody's  
19 water heater breaks and they go in and buy a new water  
20 heater, they have a hundred dollar (\$100) rebate sitting  
21 on the gas one compared to the electric one and they say,  
22 Oh, I guess gas is more efficient.

23                   And I'm not sure. It depends on the  
24 situation. There are -- I presented -- there's some  
25 websites and so on that you can actually go and do some

1 of these calculations. There's -- the Power Planning  
2 Council in the northwest has done some detailed studies  
3 of when it's cost effective to push the one way or push  
4 the other way.

5           There's a lot of efficiency that could be  
6 out there and customers can't make a decision on their  
7 own. It's too complicated. They don't have -- they have  
8 all sorts of barriers, they have capital requirements,  
9 and so it really needs to be just one (1) of your -- one  
10 (1) of those programs to look at fuel switching.

11           MR. PETER MILLER: Mr. Weiss, in regard  
12 to low income programs, moving on, Centra states that it  
13 quote:

14                         "Intends as part of its PowerSmart Plan  
15                         on continuing to explore ways in which  
16                         it can provide further assistance."  
17                         End quote.

18           Is this commitment a satisfactory  
19 response?

20           MR. STEVEN WEISS: My testimony was  
21 extensive on how low income programs, both weatherization  
22 programs and assistance -- bill paying assistance  
23 programs actually are at least in major part, if not  
24 wholly self funding. That is when you help low income  
25 people pay their bills, their not in arrears anymore,

1 they don't skip out on their bills, you don't have to  
2 shut them off, you don't have to talk to them, negotiate  
3 with them. We just heard their -- you save money for the  
4 utility when you help people pay their bills.

5           And so, the numbers I gave showed that --  
6 I came up with something like a hundred and eighty (180)  
7 bucks or so a year of savings to the Utility that are  
8 created by these kinds of programs.

9           So, Centra made a commitment to explore  
10 ways to provide further assistance. Well, that's nice,  
11 but, I don't think it goes far enough. I take it on good  
12 faith that you will do it, but, I would really like a  
13 commitment that says, we're going to hire a consultant  
14 who is experienced in low income programs, who is  
15 familiar with the studies, of the value to the customers  
16 and the value to the Utility of these programs and commit  
17 by a certain date, maybe a year to have things up and  
18 running.

19           These people are suffering. Gas prices  
20 have gone through the roof. You need to help them and we  
21 don't have to help them because we're nice guys or we're  
22 a charity, we can help them because when we help them, we  
23 help our other customers by reducing costs of shut offs  
24 and unpaid bills and collection costs and so on.

25           So it's a win/win and Centra should really

1 go for it.

2 MR. PETER MILLER: Winding up, could you  
3 again quickly summarize all of your recommendations?

4 MR. STEVEN WEISS: Okay, very quickly, I  
5 made nine (9) recommendations. First of all, that Centra  
6 calculate the marginal value of cost of gas to consumers;  
7 that includes their current cost, plus the externalities  
8 and the pecuniary opportunities that I've mentioned.

9 I came up with about two dollars and fifty  
10 cents (\$2.50) a gigajoule as the extra. And so that  
11 calculation is the one I've made, but, I welcome the  
12 Company to go into it in more detail and come up with its  
13 own numbers.

14 Secondly, to use that marginal value as  
15 the marginal rate in its residential rates and in its  
16 non-residential rates.

17 Third, it should use that marginal rate in  
18 its planning and evaluation of DSM program. The choices  
19 of what measures are cost effective and its investment  
20 level.

21 Right now, it's limited its programs to  
22 conservation of about twelve (12) or thirteen (13) cents  
23 a cubic metre and I just suspect they're leaving a lot of  
24 cost effective opportunities on the table because price  
25 of gas is much higher now.



1                   Fourth, Centra should design a fuel  
2 switching program, to provide its customers with  
3 information and incentives to choose the most cost  
4 effective energy source on a TSC basis.

5                   Now, that means you should also have to do  
6 this on the electric side because you don't want to just  
7 create incentives for people to switch. You want to have  
8 an integrated program where some customers are best they  
9 should switch. Other customers are better off if they  
10 switch from electricity to gas. Some customers are  
11 better switching from gas to electricity.

12                   Fifth, Centra should begin to ramp up in  
13 CO2 mitigation efforts with a goal of reducing its  
14 emissions consistent with provincial and national goals.  
15 Funds for this purposes, as well as other social  
16 objectives, should come from gradually, over perhaps  
17 twenty (20) to twenty-five (25) years, of ramping in a  
18 rate such that not just the marginal use is at this  
19 marginal cost but all use is eventually priced that way.

20                   Sixth, Centra should use it's -- use this  
21 marginal cost in designing main extension policies. I  
22 recommend using the model for Manitoba Hydro that was  
23 contained in Mr. Lazar's previous testimony; designing a  
24 policy that would encourage the construction of energy  
25 efficient housing.

1                   Seventh, costs of DSM programs should be  
2 allocated volumetrically.

3                   Eighth, large users should be allowed an  
4 opportunity to self direct a portion of their DSM funds.

5                   And nine, Centra should immediately commit  
6 to provide by next year an adequate bill paying  
7 assistance program and a robust low income program  
8 targeting the low -- the low income customers.

9                   Perhaps they should immediately conduct a  
10 collaborative process with PUB staff, social agencies and  
11 other stakeholders, including the hiring of a consultant  
12 experienced in low income issues to design these programs  
13 so they could be implemented as quickly as possible.

14                  MR. PETER MILLER:   And, finally, you've  
15 now been introduced to our system of rate making and  
16 review, are there any differences in jurisdictions with  
17 which you are familiar that might be instructive for  
18 Manitoba?

19                  MR. STEVEN WEISS:   Yes, I'd just -- just  
20 as, sort of, a new party that you don't -- and that has  
21 been in many rate cases, I just thought I'd share with  
22 you a couple of differences I see in your process than  
23 others and you might just think about when you always --  
24 await your process.

25                  First of all, I was very surprised when I

1 came to this that the staff -- the -- the Board staff  
2 doesn't seem to take much role. Now, maybe they do  
3 behind the scenes, I imagine.

4                   But, in rate cases that I've been in the  
5 staff actually presents a case; that is they analyse the  
6 books and they present a case just like an Intervenor  
7 represents a case. And, of course, the staff has the  
8 most experience and they can do this much better than, I  
9 think, most Intervenors can afford to and that's really  
10 useful.

11                   Secondly, many jurisdictions will have  
12 workshops on issues, either during the rate case or in  
13 between rate cases. You know, something new comes up,  
14 you hire consultant, you have staff, you have  
15 stakeholders get together have some workshops, come up  
16 with proposals in a, sort of, non-confrontational, non --  
17 you know, just much more informal and I think those --  
18 those really work.

19                   Third one (1) thing that was -- I was  
20 extremely surprised that was missing by your process is  
21 settlement. In almost all cases that I've been in it  
22 almost never actually goes to the Board for a decision or  
23 maybe only a piece of the case goes to the Board for a  
24 decision.

25                   Almost always, about -- after the initial

1 testimony is filed, there's a settlement week where all  
2 the parties, Intervenors get together with staff but the  
3 Board is not present and we try to compromise and wheel  
4 and deal and come up with -- come up with a proposal  
5 that's supported by everybody and that it's then  
6 presented as a settlement.

7           I find that that's the most creative time,  
8 that that's where you really get good discussion. And  
9 then what comes then as a settlement, if it -- if it's  
10 successful and it very often is, all the Intervenors  
11 agree on at least some of the issues, if not all the  
12 issues, and bring that to the Board and say, on these  
13 issues we're all happy, you know.

14           And I think that's great. Because why  
15 should you always have to pick when there's compromise  
16 that can be made. So, those are just some observations  
17 that I've seen in other jurisdictions and, you know, if  
18 it helps, great. If it doesn't, that's okay.

19           So, that's it for my testimony. Thank  
20 you.

21           THE CHAIRPERSON: Thank you, Mr. Weiss.  
22           We'll begin now with the cross-  
23 examination. Mr. Peters, I think you were suggesting  
24 that we would start with Mr. Boyd?

25           MR. BOB PETERS: Yes, sir. I'm just

1 following the order that we had put out on page 4 of the  
2 outline of procedures and just to canvass and see if  
3 there are questions from some of the Intervenors.

4 THE CHAIRPERSON: Mr. Boyd, do you have  
5 any questions of this Witness?

6 MR. SANDY BOYD: No, I don't.

7 THE CHAIRPERSON: Thank you, sir.

8 And Mr. Saxberg, we're back to you?

9 MR. KRIS SAXBERG: I expect that others  
10 will pose my questions, so I don't have any questions.

11 THE CHAIRPERSON: Thank you, sir.

12 Ms. Melnychuk...?

13 MS. MELANIE MELNYCHUK: I have no  
14 questions.

15 THE CHAIRPERSON: Thank you. I'm sorry.

16 MR. BRENT CZARNECKI: You have a new Ms.  
17 Murphy on the mic.

18 THE CHAIRPERSON: Mr. Czarnecki...?

19 MR. BRENT CZARNECKI: I don't know if  
20 that's good or bad. But, perhaps what I could suggest is  
21 there was a lot of additional information that was put on  
22 the record, kind of rebutting our rebuttal evidence.

23 So, if we could take maybe ten (10)  
24 minutes so I can discuss it with our Panel here, and it  
25 may reshape the form of my cross-examination; that would

1 be greatly appreciated.

2 THE CHAIRPERSON: I think that would be  
3 fine, I think we're -- our time's in reasonably good  
4 shape right now. So we'll give you until -- would  
5 quarter to 12:00 work with you?

6 MR. BRENT CZARNECKI: Yeah, that's fine.  
7 Thank you.

8 THE CHAIRPERSON: Thank you.

9

10 --- Upon recessing at 11:25 a.m.

11 --- Upon resuming at 11:45 a.m.

12

13 THE CHAIRPERSON: Mr. Czarnecki, just  
14 while everyone is filing in, you've got some more  
15 Exhibits here?

16 MR. BRENT CZARNECKI: Yes I do. The  
17 first one (1) relates to Undertaking 38, which was an  
18 update to the PowerSmart plan to revise some charts that  
19 were in there and provide additional information. If we  
20 could mark that as Exhibit 30.

21 THE CHAIRPERSON: Okay.

22

23 --- EXHIBIT NO. CENTRA-30: Response to Undertaking No.

24 38. Update to the PowerSmart  
25 plan.

1 MR. BRENT CZARNECKI: The next one is --  
2 relates to Undertaking 42 and that was in response to  
3 Direct Municipal Centra Exhibit 48, from the '03/'04 GRA.  
4 I propose that we mark that as Exhibit 31.

5 THE CHAIRPERSON: Thank you.

6  
7 --- EXHIBIT NO. CENTRA-31: Response to Undertaking No.  
8 42, Direct Municipal Centra  
9 Exhibit 48, from the '03/'04  
10 GRA.

11  
12 MR. BRENT CZARNECKI: And the next is --  
13 relates to Undertaking 44, with a copy of the current  
14 Centra bill that would be sent to WTS customers. And I  
15 propose we mark that as Exhibit 32.

16 THE CHAIRPERSON: Thank you, sir.

17  
18 --- EXHIBIT NO. CENTRA-32: Response to Undertaking No.  
19 44. A copy of the current  
20 Centra bill that would be  
21 sent to WTS customers.

22  
23 THE CHAIRPERSON: Mr. Peters ...?

24 MR. BOB PETERS: Thank you. I just --  
25 doing my paperwork here, I think I've fun afoul of Mr.

1 Czarnecki's recommendations and the Board's Exhibit  
2 numbers.

3                   Undertaking 38, I have as Centra Exhibit  
4 30. I then have Undertaking 42 as Centra Exhibit 31. I  
5 have an Undertaking 44 that would be Centra Exhibit 32.  
6 I also have one (1) more, did I miss that? I have Centra  
7 Undertaking 45 --

8                   THE CHAIRPERSON: I do too. I don't have  
9 a number --

10                   MR. BOB PETERS: -- which was the  
11 details of CO2 emissions and perhaps Mr. Czarnecki hasn't  
12 go that yet.

13                   MR. BRENT CZARNECKI: Actually I do and I  
14 just -- it was stuck to the back of the previous  
15 undertaking. I'd propose to mark Undertaking 45 as  
16 Exhibit 33.

17                   THE CHAIRPERSON: Thank you.

18                   MR. BOB PETERS: Thank you very much.

19

20 --- EXHIBIT NO. CENTRA-33: Response to Undertaking No.  
21 45.

22

23                   MR. BRENT CZARNECKI: Thank you Mr.  
24 Chairman.

25



1 CROSS-EXAMINATION BY MR. BRENT CZARNECKI:

2 MR. BRENT CZARNECKI: Mr. Weiss, if I can  
3 just start with your -- a few questions on your  
4 background generally.

5 Admittedly, sir, you're not an economist?

6 MR. STEVEN WEISS: That is true.

7 MR. BRENT CZARNECKI: And when I review  
8 your curriculum vitae I see you have some formal  
9 education in physics, bio-physics, math in the field of  
10 statistics and in education; is that correct?

11 MR. STEVEN WEISS: Yes.

12 MR. BRENT CZARNECKI: And with respect to  
13 your practical experience with gas distribution  
14 proceedings, I understand that it is limited to one (1)  
15 previous to this one (1)?

16 MR. STEVEN WEISS: Yes, Northwest Natural.

17 MR. BRENT CZARNECKI: And that was the  
18 2002 Northwest Central in Oregon?

19 MR. STEVEN WEISS: Yes, they've had two  
20 (2) or three (3) different proceedings, but yeah.

21 MR. BRENT CZARNECKI: And I understand  
22 your testimony that it's limited to general economic  
23 principles behind marginal cost pricing; is that right?

24 MR. STEVEN WEISS: Yes.

25 MR. BRENT CZARNECKI: And you'd agree

1 that your testimony on this is not meant to be  
2 conclusive, rather at this time, it's merely food for  
3 thought?

4 MR. STEVEN WEISS: Well, I hope it's  
5 somewhere in between those. It is -- I think it should  
6 be conclusive as far as conceptually but the actual  
7 numbers are just examples from other jurisdictions and so  
8 on and they might not apply exactly to Centra.

9 MR. BRENT CZARNECKI: And your evidence  
10 is accompanied by the report completed by the Pembina  
11 Institute?

12 MR. STEVEN WEISS: Yes.

13 MR. BRENT CZARNECKI: And I take it that  
14 you've fully read the Pembina report?

15 MR. STEVEN WEISS: Yes.

16 MR. BRENT CZARNECKI: And you agree with  
17 the findings?

18 MR. STEVEN WEISS: To the extent of my  
19 expertise, yes.

20 MR. BRENT CZARNECKI: And I guess it's  
21 because of that lack of expertise that you've  
22 incorporated their expertise into your evidence; is that  
23 right?

24 MR. STEVEN WEISS: Yes.

25 MR. BRENT CZARNECKI: Generally speaking,

1 sir, the Pembina report refers to three (3)  
2 externalities; greenhouse gases, land impact and resource  
3 depletion.

4 And, I guess, the Pembina report attempts  
5 to quantify those externalities; is that right?

6 MR. STEVEN WEISS: Yes.

7 MR. BRENT CZARNECKI: Well, could I have  
8 you turn to the Pembina study, sir, particularly to page  
9 3, section 2.2.

10 And the section 2.2 is titled, Measuring  
11 Externalities. And I'm just going to read with you  
12 underneath there it says:

13 "Including externalities in the price  
14 of goods and services is an idea that  
15 has been around for decades."

16 Would you agree with that statement?

17 MR. STEVEN WEISS: Yes.

18 MR. BRENT CZARNECKI: It goes on to say:

19 "Despite this, no consensual approach  
20 or methodology for quantifying and  
21 incorporating externalities exists  
22 today."

23 Would you agree with that statement?

24 MR. STEVEN WEISS: Yes.

25 MR. BRENT CZARNECKI: Now, if I can turn

1 you now to, I believe, it's page 27 of the same report  
2 and the Pembina report gets into the specifics of the  
3 three (3) externalities and they start with greenhouse  
4 gas emissions.

5  
6  
7

(BRIEF PAUSE)

8 MR. BRENT CZARNECKI: Pardon me, sir,  
9 it's page 24. And under section 4.3.1, GHG's:

10 "The externalities associated with  
11 climate change have not been well  
12 studied from a Canadian perspective."

13 Would you agree with that statement?

14 MR. STEVEN WEISS: I'm -- I'm not  
15 familiar with the Canadian perspective. My expertise is  
16 in the United States.

17 MR. BRENT CZARNECKI: If you drop down a  
18 paragraph to the next paragraph it also states that:

19 "While quantifying the marginal damages  
20 associated with GHG emissions is a  
21 highly uncertain task."

22 Do you agree that attempting to quantify  
23 it is highly uncertain?

24 MR. STEVEN WEISS: Yes, but I could -- I  
25 could be very certain that the value's not zero.

1                   MR. BRENT CZARNECKI:   Okay.  It goes on  
2 then to talk about the Kyoto protocol.  I would take it,  
3 in theory, that you're supportive of such protocols and  
4 initiatives?

5                   MR. STEVEN WEISS:   Yes.

6                   MR. BRENT CZARNECKI:   Now, if you flip  
7 the page with me again, sir, to page 25 under 4.3.2 for  
8 Land Change Externality.  And I'd like to draw your  
9 attention to the last sentence of the first paragraph  
10 under that title and it reads:

11                               "Currently there is no accepted  
12                               methodology for valuing the external  
13                               costs of land change and the  
14                               uncertainty associated with any such  
15                               estimates would be significant."

16                   Do you agree with that as well?

17                   MR. STEVEN WEISS:   Yes.

18                   MR. BRENT CZARNECKI:   So, to summarize,  
19 sir, with what -- what we've just gone through in the  
20 Pembina evidence on the topic of externalities, including  
21 externalities in the price of goods, i.e., in this case  
22 natural gas, is but one (1) idea in price -- pricing and  
23 rate making; correct?

24                   MR. STEVEN WEISS:   Excuse me.  Can you  
25 repeat that?

1 MR. BRENT CZARNECKI: To summarize the  
2 Pembina evidence, including externalities in the price of  
3 goods, i.e., in this case natural gas, is but one (1)  
4 idea in the pricing and rate making?

5 MR. STEVEN WEISS: Yes.

6 MR. BRENT CZARNECKI: And there is no  
7 consensual approach or methodology for quantifying  
8 externalities in the context of energy -- Canadian energy  
9 to be more specific?

10 MR. STEVEN WEISS: Right. There's no  
11 consensus.

12 MR. BRENT CZARNECKI: And that would  
13 include natural gas?

14 MR. STEVEN WEISS: Yes.

15 MR. BRENT CZARNECKI: And there's no  
16 consensual approach or methodology for incorporating  
17 externalities in the context of energy rate making; is  
18 that right?

19 MR. STEVEN WEISS: I don't think there's  
20 consensus, but I think there's emerging -- emerging  
21 understanding that some sort of approach is going to be  
22 have -- have to be used. There are many different  
23 approaches that would lead to equivalent ideas. I mean,  
24 there's talk -- talk -- there's a lot of talk about cap  
25 and trade type requirements, which would -- which would

1 require the utilities to buy credits if they didn't -- if  
2 they couldn't generate enough themselves, and that would  
3 have a certain cost impact.

4           And then there's other ways that you could  
5 -- that you could, you know, just have mandates on each -  
6 - each entity and how much greenhouse gas it's allowed to  
7 emit and so on.

8           And so many jurisdictions have said, well,  
9 there's lots of different ways, but they all involve some  
10 sort of costs and so we can approximate modelling all  
11 those different -- as a surrogate for all the different  
12 possibilities, we can just put some sort of dollars per  
13 ton value into our -- into our planning process, and  
14 that's what most utilities have done.

15           MR. BRENT CZARNECKI:   And those are  
16 formal discussions, sir?

17           MR. STEVEN WEISS:   Yes, for example, the  
18 Northwest Power Planning Council, which is a -- a group  
19 that has representatives from the four (4) States of  
20 Oregon, Washington, Montana and Idaho, has -- is required  
21 by Federal law in the United States to produce a plan  
22 every five (5) years that is binding on the Federal  
23 Government. The Federal Government in those four (4)  
24 States generates about half of the electricity, the rest  
25 is generated by other utilities.

1                   And it's binding on the -- on the Federal  
2 Government, and it's advisory to all the other State --  
3 State Governments, it carries a lot of weight. And they  
4 have used a -- a formal mechanism of -- of dollars per  
5 ton, it starts at eight dollars (\$8) per ton, and it  
6 escalates in a kind of a stochastic, statistical  
7 approach.

8                   And they've used that to evaluate their  
9 DSM opportunities and programs to evaluate choosing  
10 between wind power versus coal, versus gas and so on.  
11 It's been incorporated into all the planning.

12                   And the investor run utilities, PG --  
13 Pacific Power, Peugeot Power, just all the -- all the  
14 Northwest IOU's, use that methodology.

15                   The one (1) place that it hasn't been used  
16 very much is in inverted rates, and so that is something  
17 that we're talking about here more. It's definitely been  
18 used in the planning side and the DSM side.

19                   MR. BRENT CZARNECKI:    Would you agree  
20 with me that a consensual approach would be the most  
21 desirable approach to approaching this issue?

22                   MR. STEVEN WEISS:    Yes, definitely.

23                   MR. BRENT CZARNECKI:    And a consensual  
24 approach, I guess, would bring some form of concerted  
25 action, and that's important in moving an initiative like



1 this forward?

2 MR. STEVEN WEISS: Yes. But if you can't  
3 get a consensual approach what I've proposed here is a --  
4 is an approach which doesn't -- which gives the same  
5 pricing though, so it doesn't harm customers. And so  
6 it's -- it's a second best approach, I guess, is going  
7 alone.

8 MR. BRENT CZARNECKI: Now, with respect  
9 to harm, sir, if I could have you tie up -- or bring up  
10 your evidence, and I believe I'll just guide you to it  
11 here. You led me off my page. I'll find the reference.

12  
13 (BRIEF PAUSE)

14  
15 MR. BRENT CZARNECKI: And it'll be page  
16 9, lines 14 to 25. Actually, pardon me, it's page 10,  
17 lines 23 to 29.

18  
19 (BRIEF PAUSE)

20  
21 MR. BRENT CZARNECKI: And I'll quote part  
22 of your answer there, it says:

23 "So unless most gas in North America  
24 was priced at this marginal cost, an  
25 unfair burden would be placed on the --

1                   on a smaller sub-set who did receive  
2                   this price signal."  
3                   And in this instance, in your evidence,  
4 that smaller sub-set would be Centra ratepayers; is that  
5 right?

6                   MR. STEVEN WEISS:    Yes.

7                   MR. BRENT CZARNECKI:   And earlier in your  
8 direct testimony, if I heard you correctly, you testified  
9 to the fact that there would be no harm or no burden to  
10 Centra ratepayers; is that right?

11                  MR. STEVEN WEISS:   There's no burden to  
12 Centra ratepayers in aggregate, but, certain Centra  
13 ratepayers who were used more than average -- a  
14 residential who would be using more than average or  
15 industrial commercial users who are growing would --  
16 would face higher bills, just as lower users would pay  
17 lower bills.

18                  MR. BRENT CZARNECKI:   Then the next  
19 sentence reads:

20                         "Thus it is difficult from an equity  
21                         perspective to advocate for this policy  
22                         unless everyone agreed at the same  
23                         time."

24                         Who is the everyone that you're  
25 referencing there?

1                   MR. STEVEN WEISS:   Well, like I said,  
2 this is the second best approach.  The everyone is -- is  
3 everyone in North America, I guess who is connected to  
4 the gas pipeline system.

5                   And so it would be best if everyone could  
6 do it.  And this is the second -- this is the second best  
7 proposal and it doesn't -- I think it limits the harm, it  
8 gives the price signals to the right people, the right  
9 entities because they're using more.

10                  And it -- at the same time by providing  
11 DSM programs to enable them to reduce their use it gives  
12 them the signal and it also gives them the opportunity to  
13 take advantage of a program.  So I think it's a -- on  
14 balance it's a very positive program.

15                  But it does have some slight harm to the  
16 bigger users who don't want to take advantage of  
17 conservation measures.

18                  MR. BRENT CZARNECKI:   And we're talking  
19 about the other players in the gas industry, I'm assuming  
20 that you're referencing producers; is that one (1) of  
21 them?

22                  MR. STEVEN WEISS:   Well, I think  
23 producers sell at market prices.  They can't really  
24 control their costs.  So it's -- if the policies were  
25 done, it would more likely be policies on distribution

1 utilities and so on at the consumers.

2 MR. BRENT CZARNECKI: So other LDC's such  
3 as Centra?

4 MR. STEVEN WEISS: Yes.

5 MR. BRENT CZARNECKI: What about pipeline  
6 companies?

7 MR. STEVEN WEISS: Well there's various  
8 ways of giving people price signal. It depends on the  
9 state of regulation. I mean you could and the government  
10 could, I guess, you know, do some sort of carbon tax and  
11 do it that way.

12 I think that Utilities are best able to  
13 change their rates to their end users and that's the  
14 easiest and probably the most appropriate place to put  
15 the price signal.

16 But I guess you can come up with other  
17 places to put the price signal, I don't - I'm not really  
18 proposing that though, just on end users.

19 MR. BRENT CZARNECKI: And I think I heard  
20 you correctly in your direct evidence and also in your  
21 other evidence that you would agree that this Public  
22 Utilities Board does not have the jurisdiction to approve  
23 or authorize other LDC's in Canada to make those changes?

24 MR. STEVEN WEISS: Yes. I mean I agree.

25 MR. BRENT CZARNECKI: So would you agree

1 with me then, sir, that something along the lines such as  
2 the Kyoto protocol would be more -- would be a more  
3 appropriate or preferable venue for further studying or  
4 considering such changes?

5 MR. STEVEN WEISS: Well as far as  
6 greenhouse gasses go, that's -- that would be a way of,  
7 you know, covering all the utilities at once, so that  
8 would be -- that would be a good place to do it.

9 But until that happens, I think the  
10 utilities have a responsibility.

11 MR. BRENT CZARNECKI: And specifically  
12 with GHG's getting back to producers, the producers are -  
13 - have a large impact on greenhouse gas emissions; you'd  
14 agree with that?

15 MR. STEVEN WEISS: Yes. We estimated  
16 about 21 percent of the emissions came from the  
17 extraction and compression and transportation, yes.

18 MR. BRENT CZARNECKI: And that those  
19 costs are embedded in the price of gas that is relayed  
20 down to Centra Gas ratepayers?

21 MR. STEVEN WEISS: I don't think so. Not  
22 until -- there's no carbon tax in Canada right now so,  
23 no, they're not.

24 MR. BRENT CZARNECKI: So none of those  
25 costs are embedded in the price of natural gas that

1 Centra pays for?

2 MR. STEVEN WEISS: I don't believe they  
3 are, no.

4 MR. BRENT CZARNECKI: Is it a matter of  
5 the quantum of the amount or just that they're not  
6 incorporated at all?

7 MR. STEVEN WEISS: I don't believe  
8 they're incorporated at all.

9

10 (BRIEF PAUSE)

11

12 MR. STEVEN WEISS: I don't believe  
13 they're incorporated at all. I'm not sure if maybe the  
14 pipeline or the producers may be part of a voluntary  
15 program to -- to, you know, buy credits or something.  
16 But, frankly, I'm not very familiar with the Canada  
17 situation, I'm afraid.

18 MR. BRENT CZARNECKI: And, sir, you've  
19 confirmed that Centra's demand is a very small share of  
20 North American natural gas demand?

21 MR. STEVEN WEISS: Yes.

22 MR. BRENT CZARNECKI: And that any  
23 reduction in demand caused by increasing prices above the  
24 market price in Manitoba would not be meaningful to the  
25 effects of Canada and North America?

1                   MR. STEVEN WEISS: Well it's very  
2 meaningful, it's just diluted so much that it's -- it  
3 would be hard to -- to see. It's still a very large  
4 amount of money though. But --

5                   MR. BRENT CZARNECKI: And even --

6                   MR. STEVEN WEISS: û- but it -- yeah, you  
7 probably couldn't detect it.

8                   MR. BRENT CZARNECKI: So, and even with  
9 that understanding, sir, you're advocating that Centra,  
10 and I use your words, is -- it can't go for option 1, we  
11 might as well go for option 2 and basically follow the  
12 lead that has been set in California?

13                   MR. STEVEN WEISS: Yes.

14                   MR. BRENT CZARNECKI: And that may be a  
15 way to attempt to defeat what you referred to as the  
16 tragedy of the commons?

17                   MR. STEVEN WEISS: Yes. The trick is to  
18 do it without harming your customers. So you give them  
19 the price signal but you don't raise their bills. And  
20 you're right, some large users are going to see their  
21 bills go up modestly and so you provide them with DSM  
22 programs to help control that.

23                   But, overall, most people will pay about  
24 the same rates as they do now but they will have a signal  
25 to reduce their usage.

1 MR. BRENT CZARNECKI: If I could just  
2 have you turn to Manitoba Hydro's DSM program. I'm sure  
3 you have a copy of that in front of you. Pardon me, the  
4 market potential study?

5

6 (BRIEF PAUSE)

7

8 MR. BRENT CZARNECKI: Got it in front of  
9 you? What I'm looking at is the -- the first chart on --  
10 I believe it follows the tab of Executive Summary, the  
11 first page?

12 MR. STEVEN WEISS: The one that says,  
13 "executive summary," on it?

14 MR. BRENT CZARNECKI: Yeah.

15 MR. STEVEN WEISS: Yeah, okay.

16 MR. BRENT CZARNECKI: The first chart  
17 there that has potential in the blue. And I'd like to  
18 direct your attention to the residential portion of that.  
19 Would you agree that the best indicator to see how a  
20 utility is achieving, in terms of this, is to look at the  
21 economic potential as a benchmark?

22 MR. STEVEN WEISS: Yes. Now, we probably  
23 disagree on what went into what's above that line and  
24 what's below that line because I -- you know, the  
25 externalities but, yes, that -- that would be the right



1 number.

2 MR. BRENT CZARNECKI: Fair enough. And  
3 when I look to the achievable potential and I divide it  
4 into the economic potential, I'm told that it represents  
5 about 21 percent?

6 MR. STEVEN WEISS: Okay.

7 MR. BRENT CZARNECKI: Do you see that as  
8 being a reasonable achievement of the economic potential?

9 MR. STEVEN WEISS: No. I think that,  
10 again, there's a -- there's no underlying data here to  
11 show whether it's reasonable or not.

12 I -- I think it's not reasonable because  
13 it's pretty low. But there's a possibility that some of  
14 the reason that you can't do more is because some of it  
15 is future construction and so you can't accelerate --  
16 accelerate that.

17 So there may -- there may be some reasons  
18 why it's lower than 13 percent. But it's certainly --  
19 2.8 percent seems like a very low target.

20 MR. BRENT CZARNECKI: But the 2.8  
21 percent, sir, is derived from dividing the achievable  
22 potential into the forecast consumption and I thought we  
23 were on the same page earlier where you agreed that the -  
24 - the appropriate benchmark is to actually look at the  
25 economic potential?

1 MR. STEVEN WEISS: Right.

2 MR. BRENT CZARNECKI: And that number is  
3 not 2.8 percent, it results in 21 percent?

4 MR. STEVEN WEISS: So, okay, you're  
5 asking is the economic potential level right? I think  
6 it's probably close, although we might disagree with  
7 which measures should be included. But, then the  
8 achievable potential, I'm puzzled and I'm disappointed  
9 that it's so small compared to the economic potential.

10 MR. BRENT CZARNECKI: And one (1) of the  
11 reasons you cite for that is the construction?

12 MR. STEVEN WEISS: Well, it might be, and  
13 the second paragraph there talks about:

14 "The study is limited to existing  
15 billing stock."

16 And so it could be that -- well, actually  
17 if it's -- if this is only the -- the existing billing  
18 stock, then it definitely is low, because then at least  
19 my other reason doesn't even exist. So, it seems like a  
20 very small -- 21 percent of the economic potential seems  
21 like a small thing to get in a dozen years or so. Should  
22 be able to go faster.

23 MR. BRENT CZARNECKI: And -- and that  
24 achievable number would also be impacted by like  
25 lifestyle -- lifestyle type barriers and choices, and I'm

1 not sure if you're privy to the transcripts, but Mr.  
2 Kuczek's family, for example, would affect that?

3 MR. STEVEN WEISS: Yes. Those are some  
4 of the barriers why people sometimes don't make what to  
5 society would be a rational choice, but to them is -- is  
6 also a rational choice, but it doesn't agree.

7 MR. BRENT CZARNECKI: How would that 21  
8 percent number rank with other gas utilities in Canada or  
9 the United States, in terms of what they're achieving?

10 MR. STEVEN WEISS: Like I said, I don't -  
11 - I don't think it's too bad, I think it's, as I  
12 testified before, in my experience that's -- that's in  
13 the upper tier. And my experience, even though my direct  
14 experience is with the one (1), as far as rate case, I  
15 have a lot of experience with just knowledge of Peugeot  
16 Power, which has the gas side, Avista has a gas side, and  
17 this is higher than their -- their budget.

18 So I'm pleased with the level, I just -- I  
19 just think that it still might not be enough. Just  
20 because it's better than everybody else, does -- or  
21 better than a lot of -- a lot of -- and there are some  
22 that are -- it's less, but it is pretty good.

23 MR. BRENT CZARNECKI: Thank you, Mr.  
24 Weiss, that's all my questions.

25 THE CHAIRPERSON: Thank you, sir.

1                   Yes, Mr. Peters...?  
2                   MR. BOB PETERS:    Thank you.  
3  
4 CROSS-EXAMINATION BY MR. BOB PETERS:  
5                   MR. BOB PETERS:    Good afternoon, Mr.  
6 Weiss.  
7                   You're recommending to this Board to  
8 calculate the marginal value of the gas cost to consumers  
9 in Manitoba; correct?  
10                  MR. STEVEN WEISS:    Yes.  
11                  MR. BOB PETERS:    And you've introduced a  
12 new acronym, which I'm sure I'm going to stumble over a  
13 few times, but forgive me.  The MVGC is your -- is really  
14 your proposal to this Board, and that's a -- a different  
15 proposal than what you think this Board has heard prior;  
16 correct?  
17                  MR. STEVEN WEISS:    Yes.  It's sort of an  
18 all in number, yes.  
19                  MR. BOB PETERS:    And when you say all in,  
20 what you mean is the first few days that we've examined  
21 the revenue requirement Panel from Centra, you want to  
22 take the Board's deliberations on that and come up with  
23 whatever revenue requirement they conclude is  
24 appropriate, and that's one (1) component of your MVGC;  
25 correct?

1                   MR. STEVEN WEISS:    Yes.  
2                   MR. BOB PETERS:    And you want to add to  
3 that revenue requirement the total societal costs that  
4 you call -- as you define them; correct?  
5                   MR. STEVEN WEISS:    Yes.  
6                   MR. BOB PETERS:    And your total societal  
7 costs include the externalities and pecuniary  
8 opportunities?  
9                   MR. STEVEN WEISS:    Yes.  
10                  MR. BOB PETERS:    Have I got that?  And in  
11 terms of this total society cost and the externalities,  
12 you turn to the Pembina Institute to -- to get your data  
13 and your quantification?  
14                  MR. STEVEN WEISS:    For the main part, I  
15 use their data for greenhouse gases, although I did sort  
16 of check with other -- other studies to see if it was in  
17 the ballpark, and it seems to be.  
18                  And then -- then I use their number for  
19 land impact, and for avoided transmission and  
20 distribution I used the California avoided cost study,  
21 because Pembina didn't do that.  
22                  MR. BOB PETERS:    But you used the Pembina  
23 Institute's number for resource depletion as well?  
24                  MR. STEVEN WEISS:    Yes.  
25                  MR. BOB PETERS:    And in addition to those

1 numbers from California and the Pembina Institute, you  
2 want to add some amount on account of the pecuniary  
3 opportunities that have to be factored into the formula,  
4 but you don't consider them part of the total societal  
5 costs?

6 MR. STEVEN WEISS: Yes, because they --  
7 they're not really costs to society, they're cost shifts  
8 between different parts of society.

9 MR. BOB PETERS: What you mean by that  
10 is, it's okay if Manitoba can shift some costs from  
11 Manitoba back to Alberta?

12 MR. STEVEN WEISS: Yes. I think, you  
13 know, I'm hired by ratepayers group in Manitoba and they  
14 would say, that would do it, it doesn't violate my  
15 principles because it doesn't change total societal costs  
16 in a sense from a pure economic and environmental  
17 standard, I don't really care who pays the bills.

18 But my clients do care very much who pays  
19 the bill. But in no case do I recommend sending any  
20 money outside of Centra's territory.

21 MR. BOB PETERS: One of the difficulties  
22 you have with this shifting of costs, Mr. Weiss, is that  
23 it's hard to really quantify what effect, if any, that's  
24 having?

25 MR. STEVEN WEISS: Well they're very

1 broad clarifications. I think I cited one (1) Komorra  
2 (phonetic) study that was a summary of nine (9) studies.  
3 There's been quite a few studies done on the elasticity  
4 of demand idea that when consumers lower their demand,  
5 prices go down for everyone.

6           So, I think it's fairly strong. The value  
7 of increased economic activity in Manitoba. There's some  
8 studies showing that spending on DSM, the jobs, the  
9 property tax increase and so on, creates more economic  
10 activity than sending that same amount of money to  
11 Alberta gas producers.

12           Because gas producers don't have as high  
13 as multiplicity the way the economists look at economic  
14 activity, there's multiple -- multiple factors that some  
15 industries are much more labour intensive than others.  
16 And so they -- they cause more economic activity.

17           So there is some evidence, but the exact  
18 numbers are probably a lot -- a lot looser on the  
19 economic activity side of things than they are on the  
20 elasticity of demand side of things.

21           MR. BOB PETERS: And you urge this Board  
22 to then say 10 percent of the commodity cost would be an  
23 appropriate proxy for that quantification of all those  
24 pecuniary opportunities?

25           MR. STEVEN WEISS: Yes, that's a very,

1 very modest proposal, but I think it should be looked at  
2 again in the future and see because, as has been pointed  
3 out several times, it does have some bill raising effects  
4 on the largest users and so you want to be gradual and  
5 you want to make sure that there's conservation programs  
6 in place that they can take advantage to mitigate that  
7 problem. So you don't want to go too fast.

8 MR. BOB PETERS: All right. Thank you  
9 for that. Let me just take that one (1) step at a time  
10 though. As I tally up the numbers, in addition to what  
11 the Centra Panels have been asking this Board to approve  
12 in rates, you want this Board to include another two  
13 dollars and fifty cents (\$2.50) a gigajoule, take that  
14 into account when setting the rates so that will cover  
15 off these externalities that are included in your total  
16 societal costs, as well as the pecuniary opportunities?

17 MR. STEVEN WEISS: Yes. And that should  
18 be applied to just the marginal rate, to -- not to their  
19 entire bill, but just a for residential customers to the  
20 part of their bill over a certain amount, to industrial  
21 customers to the bill that's higher than the last three  
22 (3) years rolling average of their use. So it wouldn't  
23 apply to their entire bill.

24 MR. BOB PETERS: All right. And I'm  
25 coming to that and I appreciate I'll give you full chance



1 to explain that to the Board. I want them to be clear on  
2 your position.

3 But if the Board agrees with you and says  
4 that these externalities, these -- the externalities in  
5 the total societal cost test as well as the pecuniary  
6 opportunities that you've told the Board about, are  
7 quantified at two dollars and fifty cents (\$2.50) a  
8 gigajoule, but the Board doesn't agree with you to go to  
9 an inverted rate structure. Then every customer would be  
10 expected to pay more on account of your recommendations;  
11 would that be fair?

12 MR. STEVEN WEISS: Yes, and I wouldn't  
13 recommend that.

14 MR. BOB PETERS: So, your recommendation  
15 has to be tied to an inverted rate structure?

16 MR. STEVEN WEISS: Yes.

17 MR. BOB PETERS: Or a tiered rate  
18 structure?

19 MR. STEVEN WEISS: Yes.

20 MR. BOB PETERS: And when I say, inverted  
21 and tiered, you understand that to mean the same thing?

22 MR. STEVEN WEISS: Well I do in this  
23 context. I mean there's -- technically you can have a  
24 tiered rate structure that actually has falling blocks,  
25 but we've -- sort of, everybody around here has been

1 using them the same way.

2 MR. BOB PETERS: Well, we've seen that on  
3 the electrical side but we won't go there right now.  
4 What you're meaning by a tiered or a rate structure is  
5 that the -- the -- after the default amount there's a --  
6 the marginal amounts are at a higher cost?

7 MR. STEVEN WEISS: Yes.

8 MR. BOB PETERS: And that brings me to  
9 the nine point three (9.3) cent solution because nine  
10 point three (9.3) cents is your cubic metre  
11 quantification of that two dollars and fifty cents  
12 (\$2.50) a gigajoule that I talked about?

13 MR. STEVEN WEISS: Yes.

14 MR. BOB PETERS: And I'm looking on page  
15 17 of your pre-filed evidence, Mr. Weiss, and just  
16 because I didn't have the Winnipeg Free Press document in  
17 evidence here --

18 MR. STEVEN WEISS: I might be able to get  
19 you one (1).

20 MR. BOB PETERS: No, I think I know where  
21 I can get them. But the chart that you have reproduced  
22 on page 17 is, in essence, the summary of what you're  
23 suggesting to the Board happen as a result of your  
24 recommendations; am I correct on that?

25 MR. STEVEN WEISS: Well, it's one (1)

1 example. I -- the actual base volumes, you know, should  
2 be twenty-two hundred (2,200) or twenty-one hundred  
3 (2,100) or twenty-two, fifty (2,250) and stuff.

4 I mean, I think that it depends on how  
5 strong you want the step between the two (2) rates to be  
6 because you can fiddle with the -- with the -- how big  
7 that base volume is and change the step.

8 So, this is -- this is a good example. I  
9 think this would -- would be a good -- a good one. But,  
10 I wouldn't be opposed to talking to people about where  
11 that break line should be.

12 We should probably look at -- you could  
13 look at housing stock. You could decide how many people  
14 are under that level; how many are over that level. You  
15 could look at an R-2000 home and -- and typical home and  
16 see the usage level.

17 And so this is an example of how the  
18 concept would work. It's an example enough that it could  
19 simply be adopted. But it might be prudent to -- to dig  
20 down deeper into it a little bit and see -- look at  
21 customer groups and -- and see -- see where natural break  
22 points are for different customers.

23 Well, one (1) of the natural break points  
24 you might be concerned about would be the low income  
25 earners who -- who are gas customers, correct?

1                   MR. STEVEN WEISS:    Yes.  
2                   MR. BOB PETERS:    You don't want to harm  
3 them in your rate proposal?  
4                   MR. STEVEN WEISS:    No, I don't.  And I  
5 think that to do any kind of proposal including flat  
6 rates can harm customers and the low income customers  
7 too.  You need to have robust low income assistance, bill  
8 paying assistance programs and DSM programs targeted to  
9 those customers; whether or not you do my program it's a  
10 good thing.  
11                  MR. BOB PETERS:    And Centra does not have  
12 a robust bill assistance program, does it?  
13                  MR. STEVEN WEISS:    No.  I -- I don't  
14 think they have any.  They have some voluntary -- they're  
15 raising some money voluntarily but it's a very small  
16 amount of money and they -- they administer it through  
17 some charities and so on, but it's -- it's a tiny amount  
18 of money.  
19                  MR. BOB PETERS:    This is the program that  
20 you may have seen on the transcript called Neighbours  
21 Helping Neighbours --  
22                  MR. STEVEN WEISS:    Yes.  
23                  MR. BOB PETERS:    -- if I've got that  
24 right?  
25                  All right.  And that -- that program, you

1 don't consider that to be robust enough to help low  
2 income families cope with rising gas bills?

3 MR. STEVEN WEISS: That's correct.

4 MR. BOB PETERS: And in terms of DSM, you  
5 heard the witnesses testify that up until this GRA they  
6 haven't had a gas DSM plan; that's your understanding?

7 MR. STEVEN WEISS: Yes.

8 MR. BOB PETERS: So, would it be correct  
9 to say that they're also in the infancy of that program  
10 and they're not at a robust level at this point?

11 MR. STEVEN WEISS: I would agree.

12 MR. BOB PETERS: So, there aren't  
13 programs such as bill assistant programs or DSM programs  
14 that can presently help low income customers in Centra's  
15 -- in Centra's franchise area?

16 MR. STEVEN WEISS: Right. And there's  
17 probably not programs that use -- a thorough or a lot of  
18 high user programs either. So it might be good to stage  
19 these things. Just get the programs running and then put  
20 the tiered rates into effect, you know, in a year or two  
21 (2); that would make some sense.

22 MR. BOB PETERS: Okay. Thank you for  
23 that comment.

24 In terms of ramping up to recover all of  
25 these total societal costs and pecuniary opportunities,

1 is there a timeline that you urge this Board to consider  
2 in terms of when those costs should be fully reflected in  
3 the rates?

4 MR. STEVEN WEISS: I suggested twenty  
5 (20) to twenty-five (25) years. I think that you can't  
6 forecast anything out that -- that far. What I would  
7 suggest is that two (2) to three (3) years out that we  
8 investigate it then we see what the effects are.

9 Is it doing what we're expecting it to do,  
10 or is the pricing going to make a difference to people.  
11 Are the programs robust enough to -- to help -- help  
12 folks, if things look good then you could ramp it up a  
13 little more and -- and continue on.

14 So, I think in the long run, all gas  
15 should be priced at the marginal cost. But, it shouldn't  
16 be done outside of programs to help people deal with the  
17 fact that their rate might be going up. You want bills  
18 to go down, you don't care about rates really; you want  
19 the bills to go down.

20 MR. BOB PETERS: In that answer though,  
21 you recognize that the Utility should recover all of  
22 their costs?

23 MR. STEVEN WEISS: Yes.

24 MR. BOB PETERS: And they should also  
25 recover, in addition to their own costs, the

1 externalities and the -- and the pecuniary opportunity  
2 costs?

3 MR. STEVEN WEISS: Yes, and then they  
4 should use that to fund programs that lead to  
5 sustainability. They should not over collect for any  
6 other reason.

7 MR. BOB PETERS: And -- and you're saying  
8 that the two dollars and fifty cents (\$2.50) a gigajoule,  
9 in your calculations and your recommendations, that's the  
10 amount of money that the Corporation should turn back  
11 into meaningful programs for bill assistance and DSM?

12 MR. STEVEN WEISS: Yes.

13 MR. BOB PETERS: Does it matter to you  
14 that they're collecting that money on account of  
15 externalities in another location, and keeping the money  
16 here at home?

17 MR. STEVEN WEISS: No, as long as the  
18 money's going to -- because the programs benefit those  
19 people in the other locations too. I mean, remember this  
20 -- this elasticity in demand helps everyone.

21 So if -- if customers in Manitoba use less  
22 gas, it actually lowers the price of gas in New Jersey  
23 somewhere, and so I don't mind keeping the money in  
24 Manitoba and giving those people some free -- free  
25 benefits.

1 MR. BOB PETERS: Let me just talk about  
2 the elasticity of demand. I have a little trouble  
3 understanding your evidence on that point.

4 How elastic is the demand for gas when  
5 it's minus 35 degrees, in Winnipeg?

6 MR. STEVEN WEISS: Well, probably day to  
7 day it's -- it's not very elastic. But a person facing a  
8 month of extremely cold weather and they -- and they  
9 receive a bill in their mail for four hundred (400) bucks  
10 or something like that, has a very strong price signal to  
11 reduce consumption through signing on to some DSM  
12 Programs, doing more insulation, more efficient  
13 appliances and so on.

14 And so it's not going to happen day one  
15 (1), but over a relatively short amount of time,  
16 consumption will go down from high prices. It's supply  
17 and demand.

18 MR. BOB PETERS: Well, let's just test  
19 that against Manitoba's reality, Mr. Weiss. You said in  
20 your -- in your evidence, that the commodity cost of gas  
21 has tripled in the last five (5) or six (6) years; would  
22 that be correct?

23 MR. STEVEN WEISS: Yes.

24 MR. BOB PETERS: You would expect the  
25 tripling of the commodity cost to be sending a pretty



1 strong price signal, correct?

2 MR. STEVEN WEISS: Yes.

3 MR. BOB PETERS: The two hundred dollar  
4 (\$200) bill now gets opened up and it's four hundred and  
5 fifty (450), five hundred (500), six hundred dollars  
6 (\$600); that's a pretty good price signal?

7 MR. STEVEN WEISS: Yes, it is.

8 MR. BOB PETERS: And that's a far greater  
9 price signal than what you're proposing be sent by adding  
10 two fifty (2.50) a gigajoule, in terms of a marginal  
11 cost, correct?

12 MR. STEVEN WEISS: Yes.

13 MR. BOB PETERS: Has that tripling of the  
14 commodity cost and price resulted in the elasticity that  
15 you would have expected in this jurisdiction?

16 MR. STEVEN WEISS: Well, there's a couple  
17 there, one (1) is we have seen, even with the limited  
18 programs that they've rolled out, that there's -- there  
19 has been an increasing demand for the DSM programs, and  
20 people are looking for help with their bills.

21 And from the responses we got, gas use is  
22 going down per customer. Now, it wasn't split -- split  
23 between fuel switching and simply using less, so I'm not  
24 sure exactly how much could be -- we'll split those  
25 things out.

1                   But one (1) of the reasons that people  
2 fuel switch is because they feel they -- they -- the  
3 electric, you know, electricity is cheaper. And so even  
4 that could be seen as a -- a response to the high prices.

5                   So, we have had in Manitoba, reductions in  
6 -- in use. And I think Centra calculated its best  
7 estimate of the elasticity factor co-efficient and then  
8 came up with about -- with the same number that I had and  
9 my number came from Oregon.

10                  MR. BOB PETERS: But, we all know the  
11 weather in Oregon is more moderate than it is here?

12                  MR. STEVEN WEISS: Yes it is. So, you  
13 might expect -- but, I don't think they have the DSM  
14 programs here that they do have in Oregon so maybe that's  
15 been one (1) of the reasons why you haven't seen it as  
16 much.

17                  But, that's going to happen; these guys  
18 are going to ramp up.

19                  MR. BOB PETERS: All right. It's your  
20 thesis and recommendation to the Board that the reduction  
21 in demand through DSM programs will result in the market  
22 price dropping?

23                  MR. STEVEN WEISS: Yes, but, spread out  
24 to all of North America.

25                  MR. BOB PETERS: So, it's one (1) of the

1 decimal points that's going to drop, not the --

2 MR. STEVEN WEISS: That's right.

3 MR. BOB PETERS: -- it's going to be out

4 to the fourth or fifth decimal point --

5 MR. STEVEN WEISS: Yes.

6 MR. BOB PETERS: -- maybe more before

7 you'd even notice it?

8 MR. STEVEN WEISS: That's right.

9 MR. BOB PETERS: And that brings up the

10 argument of why should we do it here, if it's not going

11 to have any meaningful effect.

12 What's your response to that?

13 MR. STEVEN WEISS: Well, it is a

14 meaningful effect. Even a fourth decimal point

15 multiplied by millions and millions of consumers, comes

16 out to be a lot of money.

17 Now, it's not a lot of money saved by

18 Centra. It's a benefit that Centra creates for everybody

19 else. But, remember Centra is also sharing in whatever

20 California does, for instance, Centra gets some benefit

21 of that.

22 There was a study by, that we presented,

23 that I cited in my evidence from a group called ACEEE,

24 that said a DSM program in the -- in North America could

25 reduce prices by 20 to 30 percent; an incredible price

1 elasticity. But, you're right, it's extremely spread  
2 out.

3                   So, our program -- so therefore, that's  
4 why it has to go with inverted rates. If it was simply  
5 raising rates to customers, it wouldn't be worth it,  
6 you're right. It's not worth the benefit.

7                   But, what we're doing is, we're not really  
8 -- we're raising rates to some customers, lowering rates  
9 to other customers, on average, we're not -- my proposal  
10 does not raise any more revenue than they get now.

11                   And so it's simply a price signal. It's  
12 isn't a cost, it's a signal. And as long as it's not  
13 harmful, we should take advantage of it because it's a  
14 real benefit, it's a real benefit to society. It's not  
15 funny money. It's real money. It's just unfortunately,  
16 you don't get much of it.

17                   MR. BOB PETERS: All right. Fair enough.  
18 The point that I want to make sure I've got correct from  
19 that last answer is that you're trying to be revenue  
20 neutral with respect to your rate proposal; would that be  
21 fair?

22                   MR. STEVEN WEISS: Yes. Yes.

23                   MR. BOB PETERS: And to be revenue  
24 neutral, you would also have to introduce the rate  
25 decoupling concept that you mentioned in your direct

1 evidence through Professor Miller?

2 MR. STEVEN WEISS: We don't have to. You  
3 could have -- you can incorporate the elasticity that you  
4 forecast, so let's say you raised the marginal rate and  
5 you forecast that that's going to cause reduction in  
6 consumption by, you know, 1 percent, you could forecast  
7 that in your test year and then set rates according to  
8 that forecast.

9 Decoupling does this for you automatically  
10 and does two (2) things. It recovers the lost revenue  
11 from DSM, because remember DSM rates are volumetric for  
12 the most part and so part of the volumetric charge, it  
13 goes to the fixed costs.

14 So, as DSM reduces consumption the Company  
15 loses money. You can simply do that in rate cases, but,  
16 decoupling does it automatically, and it has an added  
17 advantage that it also deals with volatility because you  
18 can have a decoupling mechanism that changes rates  
19 slightly, but, changes rates every single month and keeps  
20 up with this trend.

21 And goes up a little bit after a warm  
22 month, goes down a little bit after a cold month. Which  
23 you can't really do in a -- you can't have that frequent  
24 a rate case. So decoupling is simply a mechanism that  
25 does it quicker. But -- but a rate case would -- would

1 do the same thing. It's just a lot slower and so your --  
2 your revenues have to be forecast rather than in real  
3 time.

4 MR. BOB PETERS: Mr. Weiss, before I  
5 leave that example on page 17 of your evidence, and all  
6 things being equal, you want to draw the line where there  
7 is least impact on those who can least afford the gas  
8 cost increase; that would be fair?

9 MR. STEVEN WEISS: Yes.

10 MR. BOB PETERS: And where that is in  
11 Manitoba you don't have sufficient detail to be specific  
12 on that?

13 MR. STEVEN WEISS: That's correct.

14 MR. BOB PETERS: And you'd need to know  
15 the old -- you know, the age of the housing stock and the  
16 demographics to -- to be somewhat more precise in drawing  
17 the revenue neutral line?

18 MR. STEVEN WEISS: Yes. And I don't  
19 think you'd ever be perfect. You're always going to have  
20 some large family, teenage kids, they take showers all  
21 the time and so on and so on. Even they live in a very  
22 insulated house, but they still have a high usage and  
23 they're going to pay a little extra.

24 But, remember, current DSM programs are  
25 just as unfair. I mean, so it sounds like it's -- what

1 I'm proposing is sort of arbitrary and unfair but at  
2 least it has a reason behind it and a logic behind it.

3                   Currently, rates if you have a big family  
4 and so on, your -- your rate is higher and you're  
5 imposing costs on everybody else. You're imposing costs  
6 on the environment, on society and so on.

7                   And so, I think flat rates are, you know,  
8 in one (1) sense you could see them as just as -- as  
9 arbitrary. Whereas this gives people a price signal to  
10 take corrective action.

11                   MR. BOB PETERS: I took from your earlier  
12 answers that you're not even convinced that the price  
13 signal of two dollars and fifty cents (\$2.50) a gigajoule  
14 is sufficient to -- to send the message clear enough?

15                   MR. STEVEN WEISS: That's true. It's not  
16 -- it's not a huge -- when I -- I thought it was when I  
17 first did it because it looks like nine (9) cents  
18 compared to, your know, forty (40) cents. It looks like,  
19 well, you're raising rates on the margin twenty (20) --  
20 over 20 percent so it looks -- that seems like a big  
21 chunk.

22                   But when you actually do a bill comparison  
23 you see it's only ninety-three (93) bucks one way up or  
24 down. It's pretty modest. So, I would characterize this  
25 as a first step. I don't -- I agree, it's -- it's not

1 much of a price signal and you might, after you go out a  
2 few years, you might say, you know, we should -- we  
3 should do it.

4 Or, add a third tier. This is what  
5 happened in California. Instead of just two (2) tiers  
6 they have like -- they actually ended up with five (5)  
7 tiers and they have -- you know, people at that last  
8 tiers they're paying like 200 percent. You know, they  
9 have a really big price signal.

10 So, yes, this is modest. I agree.  
11 Probably not enough.

12 MR. BOB PETERS: So, the pool stays cold  
13 in California. You don't heat that?

14 You've talked about the residential side  
15 of it, but if I look to the industry -- the industry side  
16 of the inverted rate structure, you were essentially  
17 recommending a -- a rate structure that the Board had  
18 heard from a prior witness on behalf of RCM and TREE;  
19 would that be right?

20 MR. STEVEN WEISS: Yes.

21 MR. BOB PETERS: And there was a three  
22 (3) year rolling average plan for the industrial consumer  
23 that I think Mr. Lazar proposed for some of those  
24 customers?

25 MR. STEVEN WEISS: Yes.



1                   MR. BOB PETERS:    The essence of that plan  
2 was much like you've done here is you provide them with a  
3 certain percentage of their average consumption at one  
4 (1) rate, but the balance will be at the higher rate?

5                   MR. STEVEN WEISS:    Yes.

6                   MR. BOB PETERS:    Would you agree that  
7 that would curtail possible plant expansion and  
8 development?

9                   MR. STEVEN WEISS:    Well, that's one (1)  
10 way of putting it.  What I think it does is it -- it says  
11 when a plan -- plant is thinking about expanding it's  
12 going to be very incented -- very motivated to make sure  
13 that expansion uses the most energy efficient equipment.

14                   It tells them right up front, if we're  
15 going to build this new building or we're going to build  
16 another assembly line or add more capacity we'd better  
17 make for sure it's highly efficient.

18                   MR. BOB PETERS:    If the -- if the  
19 industry that's looking to expand has alternate  
20 jurisdictions in which to compare is it possibly going to  
21 put Manitoba offside or at a disadvantage for such  
22 economic growth?

23                   MR. STEVEN WEISS:    Yes, it's possible and  
24 I think that you have to be careful in how you do it.  
25 And you might find that in certain cases -- many



1 you're asking then is to -- to increase the measure of  
2 cost by the nine point three (9.3) cents approximately,  
3 that you're recommending be added into the marginal cost  
4 of gas?

5                   MR. STEVEN WEISS: To -- so if it  
6 measures on the -- on the edge, on the borderline, under  
7 my proposal it might pass. Where as under -- without it,  
8 it -- it might not pass. So -- so, it's a -- a go/no go,  
9 on whether a measure is cost effective, not on the cost  
10 of the measure to the Utility.

11                   For instance, you can have a measure,  
12 which -- for instance, a -- let's pick something like  
13 adding a few extra inches in insulation, and under --  
14 let's say under my test it passes, it's cost effective,  
15 and under their test it wouldn't.

16                   So, now we have this program that normally  
17 Centra wouldn't run if they hadn't adopted my  
18 recommendations. Do they have to pay that full cost in  
19 order to incent the builder to build it that way?

20                   No. They do everything they can to make  
21 sure that the builder pays as much as possible, do a loan  
22 program, rate recovery -- revenue recovery program. It's  
23 just a test of whether that measure qualifies, and not --  
24 it's not a test of how much the Utility should pay to --  
25 to get that measure installed.

1 MR. BOB PETERS: It lowers the bar in  
2 terms of what programs would qualify?

3 MR. STEVEN WEISS: Yes. Yes.

4 MR. BOB PETERS: And as I understood Mr.  
5 Kuczek's evidence, I think it was in his direct evidence  
6 to Ms. Murphy, his view as that incorporating your MVGC  
7 test against the total resource cost test would result in  
8 virtually no impact on the economic potential of any  
9 energy efficient opportunities. Do you agree with that?

10 MR. STEVEN WEISS: I'm not sure what --  
11 that's one (1) of the things we've asked for is a cost  
12 curve, so we could see a ranking of each measure, and how  
13 much they cost, and then see if the -- where you draw the  
14 line makes a difference.

15 It could be maybe they're right; maybe  
16 this doesn't make any difference. But I have a feeling  
17 that there are measures on the -- on the cusp -- on the  
18 margin, that if you raise that bar a little bit, they  
19 would -- they would calculate it.

20 And some of these are motors -- energy  
21 efficient motors, and energy efficient heat recovery  
22 units, they can also -- remember, they didn't analyse  
23 fuel switching at all, and there could be fuel switching  
24 measures that -- that meet that test, but would not meet  
25 the -- the traditional TRC Test.

1                   So, I don't know. It could be that there  
2 -- we don't have a cost supply curve of DSM to -- to  
3 answer that question.

4                   MR. BOB PETERS: But would you agree that  
5 where Centra is in the -- and I'll use my words, the  
6 infancy of their DSM programs, they should get their  
7 biggest bang for the buck right now on -- on where they  
8 go for the next couple of years?

9                   MR. STEVEN WEISS: Yes.

10                  MR. BOB PETERS: And so these programs  
11 that are on the margin or the shoulder, are really not  
12 programs for the next year or two (2), they'd be  
13 something further out?

14                  MR. STEVEN WEISS: Yes.

15                  MR. BOB PETERS: You -- you've just, in  
16 the second last answer, or third last answer, you talked  
17 about the fuel switching program. You are suggesting  
18 that Centra and its parent get more aggressive in helping  
19 customers select which energy source to use?

20                  MR. STEVEN WEISS: Yes.

21                  MR. BOB PETERS: And you're only talking  
22 between gas and electricity here, there's no other fuel  
23 source that you're thinking of?

24                  MR. STEVEN WEISS: I don't think the  
25 utility is providing anything. Obviously there's heat

1 pumps, but that's kind of considered an electric use.

2 MR. BOB PETERS: In evaluating gas versus  
3 electricity you would like consumers to take their gas  
4 costs and add the marginal value of gas costs with that  
5 other two dollars and fifty cents (\$2.50) a gigajoule  
6 when deciding which energy source is most cost effective;  
7 would that be fair?

8 MR. STEVEN WEISS: Yes.

9 MR. BOB PETERS: What would you add on  
10 the electricity side of the ledger just to make sure the  
11 consumers are comparing, as we've said in these  
12 proceedings, apples to apples?

13 MR. STEVEN WEISS: Well, to me, to have  
14 an integrated utility they would -- Manitoba Hydro should  
15 do the same kind of analysis of MGVC and have a tiered  
16 rate themselves.

17 So I mean, yes, to be completely  
18 consistent you don't want to give one (1) price signal to  
19 one (1) energy type and a completely inappropriate price  
20 signal to the other energy type, because probably what  
21 you'll do is you'll incent behaviour that is not really  
22 cost effective. People will switch for, just because the  
23 rates are different.

24 MR. BOB PETERS: How would you include in  
25 that analysis that apples to apples comparison that I'm

1 asking you to explain to the Board, how the Board should  
2 factor in any benefits from export sales of electrons  
3 that it gains as a result of switching from electric --  
4 from customer switching from electricity to gas?

5 MR. STEVEN WEISS: Well under the  
6 analysis I'm talking about TSC or full cost accounting,  
7 that's automatically included. That's just -- indicates  
8 you don't care who pays, it's cost to society.

9 MR. BOB PETERS: But we're concerned  
10 about the society in Manitoba, aren't we?

11 MR. STEVEN WEISS: Right, and I'm not  
12 saying send any money to those guys. And, you know, I  
13 think that it's just to decide whether a homeowner or a  
14 business should -- should pick one (1) fuel over another.

15 That's the question we're talking about.  
16 And I think the societal benefits are what Manitoba  
17 should be looking at.

18 MR. BOB PETERS: Whether or not the extra  
19 revenue gets put down to the consumer level or not, that  
20 shouldn't be a factor? Whether the extra revenue from  
21 exports, is what I meant?

22 MR. STEVEN WEISS: Well, I mean we do  
23 have the peculiar effect that, let's say you get somebody  
24 to switch from electricity to gas, okay? And that  
25 creates more revenues on the electric side.

1                   And here you've switched somebody, do they  
2 get any of the benefit of the extra revenues? I mean if  
3 you really want to be consistent, you would have to --  
4 you would have to include in their rebate, or in their  
5 incentive to get them to switch, at least some of those  
6 revenues, because what they're doing is they're helping  
7 other customers save money and they should -- they should  
8 be given some of the price signal for that.

9                   Now that's sort of the easy one (1). The  
10 tougher one (1) is the opposite direction. Let's say you  
11 decide that it's better to use electricity than natural  
12 gas. And so you switch a customer from gas to  
13 electricity which reduces export revenues. And that  
14 seems to punish everybody because Manitoba now doesn't  
15 get the -- get the export revenues.

16                   But I think that's the case where there is  
17 a trade-off between future generations and environmental  
18 externalities and so on in this immediate revenue hit  
19 that you're going to get, or benefit that you get from  
20 exports. And so it's a trade off.

21                   And that's one (1) of the reasons why I  
22 haven't advocated a 100 percent of the pecuniary  
23 opportunities or 100 percent of the -- some of the other  
24 costs. I've taken a very modest, small step tier grade.

25                   Give people a little bit of the price



1 signal, ramp up the DSM programs. Analyse fuel switching  
2 opportunities and -- but there are other trade-offs. And  
3 you might not go all the way because of some of those  
4 other issues.

5 Equity is a real important issue but from  
6 a pure economic standpoint, from a pure societal cost, it  
7 doesn't matter if Manitoba wins and Minnesota loses or  
8 Minnesota wins and Manitoba wins. But obviously the  
9 Board has to think about that.

10 MR. BOB PETERS: Maybe the Board and in  
11 the hockey pools I guess we have to worry about that but  
12 û- in terms of who's winning. You said, Equity is  
13 important, but on a societal basis equity always balances  
14 out?

15 MR. STEVEN WEISS: Yes, when you're just  
16 talking about cost shifts. Obviously there's things that  
17 actually reduce societal cost. But when you're talking  
18 about pecuniary effects, you're talking about just  
19 shifts.

20 MR. BOB PETERS: Well let's talk equity  
21 from the point of view of the Corporation plans to spend  
22 approximately \$13.4 million in the next two (2) years on  
23 DSM programs; you're aware of that?

24 MR. STEVEN WEISS: Yes.

25 MR. BOB PETERS: You think that's a

1 decent start?

2 MR. STEVEN WEISS: Yes.

3 MR. BOB PETERS: Maybe more than a decent  
4 start?

5 MR. STEVEN WEISS: Well it puts -- like I  
6 said, it puts them in the top tier of the utilities I  
7 know but not the best.

8 MR. BOB PETERS: All right. Let's assume  
9 and make this assumption that the \$13 million was going  
10 to be spent on getting the biggest bang for the DSM buck,  
11 in my words, and that happens to come out of the  
12 industrial sector; can you accept that assumption?

13 MR. STEVEN WEISS: That's often been the  
14 case.

15 MR. BOB PETERS: All right. Then why  
16 should the little homeowner on the suburbs pay for that,  
17 under your recommendation?

18 MR. STEVEN WEISS: Well if you -- if you  
19 threw out equity and you said, let's -- that the highest  
20 worth of this money is the biggest bang for the buck,  
21 then you would cause a problem.

22 But, there are -- there are equity values  
23 and so, in most jurisdictions that I'm in, in Oregon for  
24 instance, they have a \$60 million a year public works  
25 charge that is collected for these DSM programs.



1 proposing digs down a little deeper into the actual  
2 class. Whereas I am -- so you could start with that  
3 premise but then say, how are you going to do it in the  
4 class?

5 I just don't say -- and so we're saying  
6 more of the costs go on the larger users or the -- the  
7 faster growing users. And so -- so my proposal just gets  
8 down one (1) layer into the within class equity issue.

9 MR. BOB PETERS: All right. So you want  
10 Ms. Derksen to sharpen her pencil so that you can -- you  
11 can allocate those costs to a -- a group that can, at  
12 least, take advantage of the program and receive the  
13 benefits compared to those who don't?

14 MR. STEVEN WEISS: Right. And the way we  
15 propose is with the tiered rates; that is you collect  
16 more money from -- from that group of customers and that  
17 money does go toward -- their bills are going to be a  
18 little higher and so they're going -- on a -- on a  
19 biometric basis they're going to pay a bit more.

20 MR. BOB PETERS: Just in closing, Mr.  
21 Weiss, you had talked about low income programs and from  
22 your answers, I believe to Professor Miller, you talked  
23 about weatherization and bill paying assistance programs  
24 that you had some familiarity with is how I took your  
25 evidence?

1                   MR. STEVEN WEISS:   Yes.  Actually, that's  
2 where most of my experience is, is with low income groups  
3 and low income programs.

4                   MR. BOB PETERS:   All right.  What's --  
5 give us an example then of a -- of a weatherization  
6 program aimed at low income families?

7                   MR. STEVEN WEISS:   Well, in my  
8 experience, low income families have many barriers that  
9 the typical homeowner doesn't -- doesn't.  For one,  
10 they're often living in rental housing and so they have  
11 no incentive to invest in that house because they may not  
12 stay there very long or they don't have any ownership  
13 equity in it.

14                   So it's hard to get them to invest, even  
15 if they had the money.  There landlord doesn't pay the  
16 electric bill or the gas bill, so -- so often the  
17 landlord doesn't care, he isn't really very interested in  
18 -- in putting in an efficient, you know, appliance or --  
19 or high efficiency furnace.  And so you kind of have a  
20 split decision making.

21                   Another barrier is that low income people  
22 can almost pay nothing -- no -- nothing toward the cost  
23 and the measure, I mean very -- most DSM measures are not  
24 funded completely by the utility, the utility might give  
25 a rebate for an energy efficient washing machine, well

1 they might give two hundred (200) bucks or a hundred  
2 (100) bucks or something, but the homeowner pays the --  
3 the five hundred (500) or six hundred (600) for the û-  
4 for the refrigerator.

5           A low income person simply won't buy a  
6 refrigerator, or I mean a washing machine, they'll use a  
7 laundromat or something, or they'll just sort of make due  
8 with the -- the really terrible one (1) they have.

9           So there's these huge barriers. So low  
10 income DSM Programs have to be almost fully funded.  
11 There can be almost no contribution from the client.

12           There's often repairs have to be made, and  
13 you can't insulate the attic if the attic is leaking, you  
14 can't replace -- you can't insulate the water heater if  
15 the water pipes are rusting.

16           So often you have to put in the extra  
17 money to -- to even enable -- to -- the light fixtures  
18 aren't working, the -- the -- there's cracks in the  
19 windows, you can't put in energy efficient windows, when  
20 the -- when the seals -- the window frames are -- are  
21 rotting away.

22           So there's repairs that have to go in. So  
23 you have to have a special program, you can't just mix it  
24 in with your regular programs.

25           Now in my experience what's -- what most

1 utilities do is they don't even do these programs  
2 themselves. They hire out social service agencies, who  
3 are familiar with these clientele, who are familiar with  
4 -- well there's another problem is -- is verifying  
5 people's low income. There's privacy issues that the  
6 utility can't always ask, are you a low income person?

7           I mean they can ask, but they don't --  
8 can't get proof. So social service agencies are a place  
9 that can. Often people are coming for social welfare  
10 type programs, and so they are providing income  
11 verification. And so many of these people are working  
12 poor, they are working.

13           The best programs are ones where the  
14 utility raises the money, coordinates with -- refers  
15 people who are having bill -- paying their, problems, put  
16 those people to the top of the list, and then refers them  
17 to the agency and pays the agency to weatherize the  
18 homes. And they go house to house and they -- they do  
19 the repairs, they do the weatherization. And it costs  
20 two (2) to three (3) to four thousand (\$4,000) per home,  
21 it's not cheap.

22           It can cost two (2) to three (3) times  
23 what it costs to weatherize a regular homeowner's home,  
24 because the normal homeowner doesn't need repairs and the  
25 normal homeowner can pay most -- much of the cost

1 themselves. It still is worth doing.

2           First of all, it's well worth doing for  
3 the social reasons. But what my studies show is that the  
4 savings from these programs generate something like a  
5 hundred and eight (180) -- I estimate a hundred and  
6 eighty-six (186) I think was the number, dollars a year,  
7 when you do a program like that, because you lower the  
8 bills and then you don't have to shut them off as much,  
9 you don't have to collect collections, you don't have  
10 emergency calls and so on, negotiating with them on the  
11 phone, all those costs add up.

12           And so you have a hundred and eighty (180)  
13 bucks a month -- a year, that you can apply towards this  
14 program. So figure your house lasts twenty/thirty  
15 (20/30) years, you've got -- you probably have two (2) or  
16 three thousand dollars (\$3,000) that you can use, just  
17 from the savings, to cover that program, not even  
18 including the energy savings, just the bill paying  
19 savings, and the collection savings.

20           So these programs can often be -- in some  
21 of the utilities I've worked with, this is a profit  
22 centre for every dollar they put into this, they get like  
23 two dollars (\$2) of benefit out. It's the -- it's the  
24 biggest profit they make all year.

25           So the programs have to be designed



1 separate from normal programs, they have to be. They  
2 take a lot of effort, but they have great benefits to the  
3 utility and, of course, very high benefits to society.

4 MR. BOB PETERS: And to that end you're  
5 suggesting that the utility hire someone who is  
6 conversant with these issues and who will research them  
7 and contact many of the utilities to which you're  
8 probably referring to, to see what programs would be best  
9 for Manitoba?

10 MR. STEVEN WEISS: Right. And talk to  
11 your social service agencies and -- because Canada's  
12 different, you know, we don't have health care  
13 arrangement, you know, we've got all sorts of other  
14 issues you don't have.

15 So, yeah, it's probably going to be  
16 unique, but, generally you just got to go door to door  
17 and you've got to fix these people's homes and it's worth  
18 doing.

19 MR. BOB PETERS: And that number that you  
20 measured against, that hundred and eighty-six dollars  
21 (\$186) a year, was just the O&M cost the Utility would  
22 save as a result of not having to lock off this customer  
23 and reconnect them?

24 MR. STEVEN WEISS: Right. There's a  
25 number of things that go into adding it up, but, yes.

1                   MR. BOB PETERS: Did you have a bill  
2 paying assistance example that you can leave with the  
3 Board?

4                   MR. STEVEN WEISS: Well bill paying  
5 assistance, sure. In Northwest Natural Gas, for  
6 instance, provides about half a percent of its revenues  
7 to an assistance program.

8                   It, too, is administered by the social  
9 service agencies. In Oregon, in the United States,  
10 there's a Federal program called, LEAP, low income energy  
11 assistance program, that is federal money that's  
12 administered by the social welfare agencies.

13                   And what it is, is it's about -- it's a  
14 crisis assistance program so that a family can come in  
15 and say I'm getting shut off and they can give them up to  
16 about two hundred dollars (\$200), one (1) time, once each  
17 winter.

18                   And so what we did is, in Oregon is we  
19 said, You know, we've already got this set up, we've  
20 already got the admin, we've got the whole network set  
21 up. Why set up a second one? So we simply gave this  
22 agency more money.

23                   And they were just able to serve more  
24 clients, because what would happen is that the first day  
25 the door would open there would be lines around the

1 corner and they would run out of money before they could  
2 serve all the customers.

3                   So, this just basically doubled the  
4 program. Again, administered by the same people who were  
5 doing the federal stuff.

6                   So, I'm not sure who does your welfare  
7 here and so on, but that would be a good place to funnel  
8 money rather than have the Utility try to set up a whole  
9 new program themselves.

10                   MR. BOB PETERS: Thank you Mr. Weiss.  
11 Mr. Chairman, Board Members, with that answer and those  
12 are my questions of Mr. Weiss.

13                   I want to thank him for his responses and  
14 I can assure him that the ducks of Oregon have fans as  
15 far away as Manitoba.

16                   MR. STEVEN WEISS: Okay. Thank you.

17                   MR. BOB PETERS: So, pass that onto your  
18 university folks. Bye for now. Thank you.

19                   THE CHAIRPERSON: Mr. Peters does like  
20 his hockey. Thank you Mr. Peters.

21                   Professor Miller, do you have any re-  
22 examination of your witness?

23                   MR. PETER MILLER: I don't have re-  
24 examination, but there is a point that I would like to  
25 raise that I spoke to the Counsel for PUB and Centra.

1 THE CHAIRPERSON: Please do so.

2 MR. PETER MILLER: It's in response to  
3 Ms. Murphy's comments a week ago or last week about sort  
4 of advance warnings or information on positions being  
5 taken.

6 And I, in the same spirit, would like to  
7 reciprocate with some information based on a few phone  
8 calls to the Crown corporation counsel and Manitoba  
9 conservation and just relay that information.

10 There are essentially two (2) points. One  
11 (1) is that Ms. Murphy was looking for some special  
12 regulation and crown corporations are in there, not by  
13 virtue of any special regulation, but by virtue of being  
14 Crown corporations you look at the definition of Crown  
15 corporations at the front of the Act.

16 It doesn't require any special regulation  
17 to get them there, just that they're governed by the  
18 Crown corporation counsel. And that qualifies them. And  
19 then the later sections in the Act apply to them.

20 And the second point of information is  
21 that, on June 26th, 2002 Manitoba Conservation sent a  
22 letter to the Crowns which presumably would include  
23 Manitoba Hydro, directing them of compliance deadlines  
24 under the Sustainable Development Act as follows:

25 "By December 2002, that the Crown

1                   should prepare sustainable development  
2                   procurement guidelines and by July  
3                   2003, they should prepare a sustainable  
4                   development code of practice and  
5                   financial management guidelines."

6                   So, these are transactions, I mean they  
7 may have operated wrongly under the law, but, I just  
8 wanted to bring that to your attention for further  
9 consideration as you develop your final argument.

10                   THE CHAIRPERSON: Thank you, Professor  
11 Miller and thank you, Mr. Weiss. Appreciate your  
12 contribution.

13

14                   (WITNESS STANDS DOWN)

15

16                   THE CHAIRPERSON: Thank you, the three  
17 (3) Centra Panels, the other witnesses and the parties to  
18 the proceedings. We're now moving to the closing  
19 statements phase of the Hearing. And just a couple of  
20 notes.

21

22                   We look forward to receiving the position  
23 of the parties, including Board counsel, on the  
24 applicability of the Sustainable Development Act on  
25 Centra and the PUB.

25

As well, if you have your overall comments

1 or proposals are prepared in advance of next Monday, and  
2 subject to check on delivery, if you could file them with  
3 the Board by Friday close, we would appreciate it. The  
4 August 1st quarterly amendment approaches quickly.

5 Closing statements delivered orally will  
6 occur next Monday commencing at 9:00 a.m. So we stand  
7 adjourned. Thank you.

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9 --- Upon adjourning at 1:00 p.m.

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11 Certified Correct,

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Carol Wilkinson, Ms.

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