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MANITOBA PUBLIC UTILITIES BOARD

Re:                               CENTRA GAS MANITOBA INC.  
                                  2007 COMPETITIVE LANDSCAPE PROCEEDING

Before Board Panel:

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

HELD AT:

Public Utilities Board  
400, 330 Portage Avenue  
Winnipeg, Manitoba  
September 18th, 2007  
Vol V  
Pages 932 to 1145

1 APPEARANCES

2 R.F. Peters ) Board Counsel

3

4 Marla Murphy ) Centra Gas

5 Brent Czarnecki

6

7 Paul Kerr (np) ) Coral Energy

8

9 Sandy Boyd (np) ) Communications, Energy

10 ) and Paper Workers

11 ) Local 681

12

13 Kris Saxberg (np) ) CAC/MSOS

14 Ivan Holloway )

15

16 Eric Hoaken ) Direct Energy

17 Nola Ruzycki ) Marketing Limited

18 Karen Melnychuk ) & Energy Savings

19 ) (Manitoba) L.P.

20

21 Dave Hill (np) ) Koch Fertilizer

22

23 Nick Gretner (np) ) J.R. Simplot

24

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APPEARANCES (CONT)

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

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LIST OF EXHIBITS

EXHIBIT NO.	DESCRIPTION	PAGE NO.
CENTRA-11	Response to Undertaking 1	942
DEML/ESMP-7	A brief entitled, "Brief of Documents that were Presented to Andrew Enns in Cross-Examination by DEML/ESMLP"	943
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	LIST OF UNDERTAKINGS		
1	NO.	DESCRIPTION	PAGE NO.
2			
3	1	Update with current information to	
4		PUB/CENTRA-13	1059
5	2	Of the seven (7) brokers servicing	
6		the large-volume consumers that were	
7		identified, for Centra to advise	
8		if any are only arranging gas to	
9		their business rather than competing	
10		for other people's business.	1067
11	3	Centra to determine if Direct Energy	
12		and Energy Savings (Manitoba) are	
13		part of the seven (7) retailers that	
14		service large volume customers	1071
15			
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1 --- Upon commencing at 9:06 a.m.

2

3 THE CHAIRPERSON: Good morning, everyone.

4 To begin with this morning I thought we would start with  
5 the Board's response to CAC/MSOS's September 12th motion.

6 I see that while the Board was away, the  
7 parties have been busy and the Board has been dealing  
8 with a motion dated September 12th from CAC/MSOS and a  
9 response from Direct and Energy Savings dated September  
10 the 13th, along with a reply with Centra's positions,  
11 also dated September 14th, and CAC/MSOS's reply of the  
12 same date.

13 CAC/MSOS seeks an order of this Board to  
14 compel complete answers from DEML/ESMLP related to nine  
15 (9) Information Request questions.

16 Centra supports CAC/MSOS; it indicates the  
17 answers will be relevant to the matters at hand. DEML,  
18 Direct/Energy Savings, objects to the motion on  
19 procedural grounds and indicates it is not in a position  
20 to respond on the merits of the motion without an  
21 adjournment.

22 Direct/Energy Savings also offers a  
23 pragmatic suggestion to the effect that the subject  
24 matter of the IRs in question could be canvassed with the  
25 Direct/Energy Savings panel next week, and if there is

1 missing information that the Board needs, the matter can  
2 be raised at that time by way of motion.

3           The Board appreciates the suggestion from  
4 Direct/Energy Savings and finds no compelling reason as  
5 to why CAC/MSOS did not advance their motion earlier.

6           Without hearing further from Direct/Energy  
7 Savings, the Board is satisfied that prejudice would  
8 result to those parties if the motion was to be now  
9 argued on the merits and, therefore, an adjournment may  
10 be appropriate to remedy such prejudice. The Board does  
11 not believe an adjournment is now needed if the issues  
12 that concern CAC/MSOS are to be canvassed with the  
13 Direct/Energy Savings panel of witnesses.

14           It may be that the specific answer sought  
15 by CAC/MSOS will not be required, or CAC/MSOS can make  
16 their point through different questions.

17           The Board will, therefore, not adjudicate  
18 the merits of the motion at this time. What the Board is  
19 doing is adjourning the motion to see if there's any need  
20 for it at a later date.

21           While the Board is not addressing the  
22 merits of the request at this time, it does have several  
23 observations that may assist the parties. While  
24 Direct/Energy Savings appears in a joint intervention in  
25 these proceedings, it's probably because they have



1 similar retail perspectives and they will take the same  
2 position on the key issues and wanted to avoid  
3 duplication of Intervenors -- interventions, the latter  
4 being encouraged by this Board.

5           However, the Board understands them to be  
6 competitors in the marketplace. The evidence so far  
7 suggests that they compete for the same customers with  
8 similar products. As for their individual respective  
9 customers numbers and volumes, as is now being sought by  
10 CAC/MSOS, the Board is aware that the number in volumes  
11 of WTS customers is provided in aggregate form, Tab 2, of  
12 the book of documents that was assembled by Board  
13 counsel.

14           Similarly, while Direct and Energy Savings  
15 can determine their individual market shares, the other  
16 parties to this Hearing, including the Board, have the  
17 aggregate market share of the retailers in the various  
18 customer classes in the same material. As for the market  
19 shares of Direct and Energy Savings in other  
20 jurisdictions, the parties are aware of PUB/CENTRA-2 of  
21 the aggregate market penetration by retailers in certain  
22 Ontario and Alberta service territories.

23           While the Board is interested in the  
24 marketing practice of retailers, and what Centra is  
25 asking for in the terms of marketing, the specific names

1 and compensation of independent sales agents and  
2 complaints against them may not be useful.

3                   What would be useful is for the evidence  
4 to explain to the Board what is done and how it is  
5 monitored and the consequences of improper marketing by  
6 the independent sales agents, together with suggestions  
7 to improve communications and marketing with consumers if  
8 there are concerns.

9                   So with those comments I will eventually  
10 turn to Mr. Hoaken to continue with his questions of Mr.  
11 Enns. And, Mr. Enns, welcome back to you, too.

12                   Following Mr. Enns, the Centra panel is to  
13 testify later this morning and for the balance of the  
14 day. Parties should be advised that the Board will  
15 taking a two-hour lunch break today to attend to matters  
16 that were pre-scheduled.

17                   The Board also understands that Centra  
18 witnesses are available to testify all day Wednesday and  
19 starting at 1:00 p.m. on Thursday and all day Friday if  
20 necessary, and I stress the 'necessary' caveat. Next  
21 week's schedule is not being changed from what was  
22 explained in Mr. Peters' opening comments.

23                   So thank you for your now attention and  
24 now I'll move to -- I believe Ms. Murphy was trying but  
25 the mic was off to submit an exhibit that we could mark

1 CENTRA Number 11. Ms. Murphy...?

2 MS. MARLA MURPHY: Yes, thank you. I did  
3 circulate it on Friday although unfortunately after the  
4 Board had stood down, the response to Undertaking Number  
5 1 so if it -- I believe it should be CENTRA Number 11,  
6 would be the Exhibit, if it could be marked?

7 THE CHAIRPERSON: Yes, that meets our --

8 MS. MARLA MURPHY: Thank you.

9 THE CHAIRPERSON: -- records as well.  
10 Thank you.

11

12 --- EXHIBIT NO. CENTRA-11: Response to Undertaking 1

13

14 THE CHAIRPERSON: So with that, thank you  
15 for your attention, I'll now call Mr. Hoaken to continue  
16 with his questions of Mr. Enns. Mr. Hoaken...?

17 MR. ERIC HOAKEN: Yes, thank you, Mr.  
18 Chair. Good morning. Could I just point out for the  
19 record that Ms. Melnychuk is here with me this morning.  
20 She is known, I believe, to all of the Members of the  
21 Board.

22 Just before I resume the cross-examination  
23 of this witness, I indicated to Board counsel that I had  
24 attempted to purge my contempt somewhat and compile all  
25 of the documents that I presented to the witness last day

1 in a somewhat sub-optimal form. I've now put them  
2 together into much better form, I believe.

3 It's a brief that I passed to Board  
4 counsel. I believe he has distributed it or was going to  
5 distribute it to the Members of the Board. It is a brief  
6 I've entitled, "Brief of Documents that were Presented to  
7 Andrew Enns in Cross-Examination by DEML/ESMLP."

8 And I would suggest, I believe, with the  
9 concurrence of Board counsel that this be marked as the  
10 next DE/ES exhibit, which I believe would be number 7.

11 THE CHAIRPERSON: Mr. Gaudreau, does that  
12 check with our records? Okay, subject to check.

13

14 --- EXHIBIT NO. DEML/ESMLP-7: A brief entitled, "Brief  
15 of documents that were Presented to  
16 Andrew Enns in Cross-Examination by  
17 DEML/ESMLP"

18

19 CENTRA PANEL:

20 ANDREW ENNS, Resumed

21

22 CONTINUED CROSS-EXAMINATION BY MR. ERIC HOAKEN:

23 MR. ERIC HOAKEN: All right. Thank you.  
24 Good morning, Mr. Enns.

25 MR. ANDREW ENNS: Good morning.

1                   MR. ERIC HOAKEN:    I think when we broke  
2 last day we were just starting to talk about the drafts  
3 of the focus group report and the top line note that you  
4 -- you had had drafted in this case, is that right?

5                   MR. ANDREW ENNS:    Correct.

6                   MR. ERIC HOAKEN:    And just before we get  
7 into that let me just come back to one (1) of the basic  
8 principles you and I discussed last day.

9                   And we had talked, and I think ultimately  
10 agreed, that the market research you do has to be  
11 balanced and fair and objective, right?

12                   MR. ANDREW ENNS:    Correct.

13                   MR. ERIC HOAKEN:    And that applies  
14 equally I take it to the qualitative research, as it does  
15 to the quantitative research?

16                   MR. ANDREW ENNS:    Correct.

17                   MR. ERIC HOAKEN:    And in fact in the  
18 course of answering the questions that I'd asked you in  
19 the context of the survey, the quantitative report, you'd  
20 said well, in a sense the -- the numbers are the numbers,  
21 right?

22                   MR. ANDREW ENNS:    I don't recall saying -  
23 - but you -- in the research the numbers are important,  
24 in terms of --

25                   MR. ERIC HOAKEN:    Right. I had

1 understood you to say, and tell me if I've got this  
2 wrong, but I had understood you to say that in the course  
3 of interpreting quantitative research, there's limited  
4 latitude you have in stating conclusions, because at the  
5 end of the day the numbers say what the numbers say; is  
6 that it?

7 MR. ANDREW ENNS: I think your  
8 interpretations and the comments you provide the client  
9 are based and have to tie back to the numbers.

10 MR. ERIC HOAKEN: Right.

11 MR. ANDREW ENNS: Correct.

12 MR. ERIC HOAKEN: And there's no similar  
13 principle or limitation with qualitative research because  
14 there are no numbers, right? This is all qualitative or  
15 subjective in nature, right?

16 MR. ANDREW ENNS: Certainly more so. I  
17 mean, while there's not numbers there's certainly a  
18 record of the conversations and the experiences and the  
19 interpretations of the moderator, correct.

20 MR. ERIC HOAKEN: All right. But you'd  
21 agree with me that in --

22 MR. ANDREW ENNS: -- numbers, yes.

23 MR. ERIC HOAKEN: Right. But in doing  
24 something like the focus group report you did in this  
25 case, it's a more interpretive and subjective exercise

1 than is the preparation of a qualitative report?

2 MR. ANDREW ENNS: Correct.

3 MR. ERIC HOAKEN: Now, if I could ask you  
4 to turn to Tab 25 of the new brief that your counsel, I  
5 believe, has put in front of you; this is now Exhibit 7.  
6 Tab 25 has an email exchange which starts with an email  
7 from you -- am I right -- on the 13th of June, 2007?

8 MR. ANDREW ENNS: That's right. At the  
9 bottom it's the -- the originating email from me where I  
10 forwarded the top line draft to Mr. -- Mr. Meder, yes.

11 MR. ERIC HOAKEN: That's right. And then  
12 if you turn over the page -- actually two pages -- Mr.  
13 Enns, you'll see then there's a document which I believe  
14 is seven (7) pages long, that is the top line note that  
15 you sent over, correct?

16 MR. ANDREW ENNS: That's correct.

17 MR. ERIC HOAKEN: And as you told me  
18 yesterday -- or sorry, not -- I guess, last Friday --

19 MR. ANDREW ENNS: It feels like  
20 yesterday.

21 MR. ERIC HOAKEN: It feels like  
22 yesterday, yes, it does. In this case, as is often the  
23 case, the top line note actually became the executive  
24 summary; is that fair?

25 MR. ANDREW ENNS: To a large degree. It

1 forms the -- it forms the basis of it, yes.

2 MR. ERIC HOAKEN: Right. And, in fact,  
3 if you were go to go through them paragraph by paragraph  
4 you'd see that they're extremely similar; is that fair?

5 MR. ANDREW ENNS: I believe that would be  
6 the case, yes.

7 MR. ERIC HOAKEN: Okay. And I take it  
8 that in preparing the executive summary -- or at least in  
9 doing the first draft of it, which is the top line note -  
10 - it was your intention to capture all of the important  
11 and noteworthy observations that you had made as a result  
12 of the focus groups you'd moderated on the 6th and 7th of  
13 June, correct?

14 MR. ANDREW ENNS: That's correct.

15 MR. ERIC HOAKEN: And this was an  
16 exercise that you were uniquely qualified to perform as  
17 distinguished from anyone at Centra, because you have the  
18 relevant expertise.

19 That's why you were retained to do to  
20 this, right?

21 MR. ANDREW ENNS: That's correct;  
22 moderating the groups, preparing --

23 MR. ERIC HOAKEN: And --

24 MR. ANDREW ENNS: -- and preparing the  
25 report and the top line -- the top line summary and the



1 subsequent report, yes.

2 MR. ERIC HOAKEN: Right. That's part of  
3 the expertise you told Centra you had, and presumably  
4 part of the reason they retained you to do this exercise?

5 MR. ANDREW ENNS: Correct.

6 MR. ERIC HOAKEN: Now if you could turn  
7 over -- just back to the first page of the tab again --  
8 there's then an email.

9 After the email you sent on June 13,  
10 there's an email back from Mr. Meder, correct?

11 MR. ANDREW ENNS: Correct.

12 MR. ERIC HOAKEN: And as I read this --  
13 you tell me if you read it the same way -- it appears to  
14 me that it is only Mr. Meder who has reviewed your draft  
15 and provided you comments?

16 Just look -- in the second line he says --  
17 he says, "I thought there were a few concepts" and he  
18 doesn't appear to refer to the input of anyone else. And  
19 I'm just wondering, did you read it the same way?

20 Did you interpret this as being comments  
21 only from Mr. Meder?

22 MR. ANDREW ENNS: I -- I don't think I  
23 necessarily interpreted it one way or the other; I don't  
24 think that was sort of the focus. I don't disagree that  
25 if you look at it now it does refer to himself -- to

1 himself only, but I can't recall whether I made that --  
2 made that call the actual day I received it.

3 MR. ERIC HOAKEN: Okay. Could you turn  
4 over to the third page now of the top line, the draft of  
5 the top line.

6 MR. ANDREW ENNS: Yeah.

7 MR. ERIC HOAKEN: And we see along the  
8 right-hand margin a series of comments and track changes,  
9 and those are changes that were made by Mr. Meder; was  
10 that your understanding?

11 MR. ANDREW ENNS: That's what I assumed,  
12 yes.

13 MR. ERIC HOAKEN: Yes. And, in fact, on  
14 the comments there's a notation, "GM," which are Mr.  
15 Meder's initials?

16 MR. ANDREW ENNS: Yeah.

17 MR. ERIC HOAKEN: And in the middle of  
18 the page, you see there's three (3) paragraphs that are  
19 underlined. And as I'm reading that, those were  
20 paragraphs that were not in the initial draft you sent to  
21 Mr. Meder but that he inserted; am I right about that?

22 MR. ANDREW ENNS: Correct.

23 MR. ERIC HOAKEN: And so these are points  
24 or comments that you had not thought, in your  
25 professional judgment, to be significant enough to

1 include, but Mr. Meder was now telling you that he felt  
2 they needed to be included and, in fact, he was proposing  
3 wording; right?

4 MR. ANDREW ENNS: He was -- in providing  
5 that, he was providing some suggested wording, yes.

6 MR. ERIC HOAKEN: Right. And as I read  
7 the final draft, you accepted the wording in those  
8 paragraphs, you accepted it verbatim?

9 MR. ANDREW ENNS: Without going back and  
10 going through it I -- probably very close. I mean, I do  
11 recognize the three (3) paragraphs and we probably could  
12 go back, but I take your word...

13 MR. ERIC HOAKEN: All right. What did  
14 you do then to validate those statements and to satisfy  
15 yourself professionally that it was appropriate to  
16 include them, even though you hadn't thought they were  
17 worthy of inclusion in the first draft?

18 MR. ANDREW ENNS: The -- might be --  
19 might be beneficial to -- I don't know how respond to  
20 that, but it might be beneficial just to step back and  
21 understand the -- the intent of -- of a top line summary.

22 Because it -- and grant it this one did  
23 morph into the -- as you pointed out earlier, very much  
24 into the executive summary of -- of the final report.

25 But top line summaries can come in

1 different -- different shapes and forms. And the  
2 initial draft of a top line note is one prepared by the  
3 moderator, shortly after the groups. It's certainly far  
4 quicker after the groups than when -- typically a final  
5 report can be prepared with more fulsome review of tapes  
6 and in transcripts, you know, audio -- audio recordings.

7           But the -- really you rely on the  
8 moderator's experiences in -- in the groups. And so in  
9 some cases top line reports can be very -- can be much  
10 briefer than this, much more -- in some cases, a top line  
11 report is actually more of a verbal report that is done  
12 via conference call or -- or a quick meeting with --  
13 with clients.

14           I think we talked about -- toward the  
15 latter days of -- when I was here last -- a week ago,  
16 there are situations where focus groups, they're --  
17 they're undertakings in focus groups that if it's  
18 advertising material, communication materials, there's  
19 deadlines so clients want to know as quickly as possible  
20 a few -- a few of the salient findings and they'll  
21 forward and the report follows.

22           In this case, the -- and there were time  
23 lines involved with this -- with this report, and I --  
24 and I believe -- and there's some reference to it in the  
25 e-mails, with respect to trying to submit material, I

1 believe to the Public Utilities Board.

2                   And so there was a desire, I know in  
3 discussion, to have -- that more of a detail top line  
4 report prepared, which was my initial -- my initial  
5 draft. But I mean, a top line report is -- is sort of  
6 that -- that first -- that first very, you know, high  
7 level look at the results and the discussions from the  
8 moderator's perspective.

9                   There will be more -- more fulsome review  
10 done in the -- when -- as you're going through the tapes,  
11 sometimes things will change. Other times it -- it nec -  
12 - it may not. So in this -- in this case -- and often  
13 what you'll get when a top line report -- and -- and I'll  
14 -- I'll agree normally the -- the normal case is -- is  
15 the top line is submitted, there's some discussion back  
16 from the clients saying, you know, This is good.

17                   In the final report, you know, can we  
18 touch on if there's a particular points of interest of  
19 the client, that's usually sort of made -- made verbally  
20 in terms of the feedback that you'll get, and then you  
21 proceed on with the -- with the drafting of the final  
22 report.

23                   In this case, the top line report was  
24 submitted and then there was some direct feedback  
25 inserted directly into the top line report.

1                   The -- the -- in reading the emails -- and  
2 I'm not -- I'm not 100 percent certain of this, but it  
3 may be clarified later on, but at one point in time to  
4 meet some -- some internal time constraints, there may  
5 have been some discussion about -- about proceeding with  
6 -- with a -- with a summary report or a top line; hence  
7 the -- some of the more detailed feedback from -- from  
8 Mr. Meder, with respect to the points raised and adding  
9 some additional points.

10                   The adding of additional points from a  
11 client to a top line isn't that unusual, in the -- in the  
12 sense of -- when the final report comes, these are a  
13 couple of other areas we'd like to see either embellished  
14 or, you know, added to or clar -- if you can, pull some  
15 more information from the tapes, or questions raised, you  
16 know.

17                   It's -- it's fair comment when people are  
18 -- are -- are watching the discussion, that they may say,  
19 you know, I thought there was some comment made in some  
20 of the sessions to this effect; can you go back and see,  
21 was that case, look at the -- look at the audio or look  
22 at the -- at the DVDs.

23                   And typically that's -- that material is  
24 then -- you know, those comments are saved and you -- and  
25 you incorporate those into the -- into the final -- final

1 report. In this case, the -- the top line was submitted  
2 and -- and Mr. Meder took some time to go through and  
3 provide some -- some detailed feedback directly into the  
4 -- into the top line report.

5 I suspect that was the -- the detailed  
6 nature in terms of actually spelling out -- some of the  
7 stuff was done in part to try to expedite the process a  
8 bit, in terms of, you know, providing some clarity in  
9 terms of what his thoughts were, of the nature that he  
10 was interested in -- in -- in me exploring further.

11 In terms -- to your point, in terms of  
12 validating, you know, comments made by Mr. Meder, whether  
13 it's this one, or there's a few others, I think, later on  
14 in the top line, the -- the course of action was to go  
15 back through the tapes; and -- and quite frankly, there  
16 was nothing in here that -- that I didn't agree that  
17 occurred or, you know, were discussed, there was just a  
18 question of, you know, in my very high level view,  
19 pulling these -- these -- you know, was this a point that  
20 -- that touched on, that I sort of felt worthy of  
21 bringing forward.

22 MR. ERIC HOAKEN: But the -- the point of  
23 an executive summary is to draw the reader's attention to  
24 the points that -- in the author's view -- and that's  
25 you, right --

1 MR. ANDREW ENNS: Correct.

2 MR. ERIC HOAKEN: -- in the author's view  
3 are important, right?

4 MR. ANDREW ENNS: Correct.

5 MR. ERIC HOAKEN: And so can we all  
6 assume that when you prepared this draft of the executive  
7 summary in the form of the top line note, that you were  
8 doing your best to include every finding and observation  
9 that, in your professional judgment, you thought was of  
10 note?

11 MR. ANDREW ENNS: And again, I -- I think  
12 at -- at that initial top line level, yes, that was the  
13 case. And that's not to suggest that going back through  
14 and pulling out -- going through the guide, section by  
15 section, along with looking at the four (4) sets of --  
16 sets of audio recordings and -- in that discussion, there  
17 may not have been some things that have -- that would  
18 have made it into a final executive summary.

19 MR. ERIC HOAKEN: Okay.

20 MR. ANDREW ENNS: But -- but, no, I -- I  
21 agree with your point, that those were my first initial -  
22 - my initial takes and -- on -- on what -- what I felt  
23 really struck me in the -- in the -- in the four (4)  
24 groups that we did.

25 MR. ERIC HOAKEN: Right. And absent the



1 intervention from Mr. Meder, absent the comments he made,  
2 these points may never have showed up in the final draft.

3 MR. ANDREW ENNS: I mean, it may or may  
4 not. I mean as I say, there is a -- there's a -- there's  
5 another -- at this point in time we're, you know, just  
6 beginning the process of going through the -- the -- the  
7 DV -- you know, the tapes, the audio tapes, so it's hard  
8 to say whether it may or may not, but certainly, you  
9 know, Mr. Meder's identified them as important to -- from  
10 -- from his sur -- his perspective, and so, yeah.

11 MR. ERIC HOAKEN: Now, you've -- on a  
12 couple of occasions in the course of answering my  
13 questions this morning -- you've referred to the top line  
14 note as high level, but as I look at it, it's a pretty  
15 detailed document; it's seven (7) pages in length, which  
16 is precisely the length of the executive summary.

17 So, you'd certainly intended, I take it,  
18 in preparing the top line, to capture in some significant  
19 details, the point that you thought were of interest.

20 MR. ANDREW ENNS: As I said, in the -- in  
21 the course of the -- once the groups were done, there was  
22 discussion as to when -- how quickly could, sort of, the  
23 final report and how quick -- quickly could the document  
24 be put together. And -- and again, I believe there's  
25 reference to it in some of the emails that -- there was

1 some desire to try to submit and finalise things as  
2 quickly as possible.

3                   The -- the report takes time. I mean, it  
4 takes time to go through basically what consists of eight  
5 (8) hours of conversations with people and back and  
6 forth, so there's -- there's only so much that you can --  
7 you can expedite and -- expedite and still do a good job,  
8 in terms of a report.

9                   So I did take a little extra time on the  
10 summary than -- than sometime, but that again was -- was  
11 the request of the client, in terms of wanting -- you  
12 know, try to take a little extra time on the top line,  
13 but still turn that around fairly quickly. I believe --  
14 I think this was submitted on the 13th; it would have  
15 meant working on it over the weekend and the Monday.

16                   MR. ERIC HOAKEN: Now, you said a bit  
17 earlier in answering a question, that it's not unusual  
18 for clients to have input into a top line and to  
19 embellish it, and to point out things that are of  
20 interest to them.

21                   And so is that, you know, in general  
22 terms, is that a summary of what you feel the folks from  
23 Centra did in this case?

24                   MR. ANDREW ENNS: I think they -- I  
25 believe they identified a couple of areas that were of

1 particular interest to them and wanted to see -- wanted  
2 to see -- I mean, those things would have been mentioned  
3 in the report; they certainly occurred. They were part  
4 of the discussions, participants mentioned them, and I  
5 think they just -- they indicated they wanted to see that  
6 highlighted or, you know, clearly made in the report,  
7 yes.

8 MR. ERIC HOAKEN: They wanted to give  
9 more prominence to certain things that they thought were  
10 important?

11 MR. ANDREW ENNS: More promin -- but they  
12 certainly wanted it noted.

13 MR. ERIC HOAKEN: Yes. And I take it  
14 that no other stakeholder had the opportunity to point  
15 out things that they wanted to give prominence to or  
16 treatment to in the focus group report, is that fair?

17 MR. ANDREW ENNS: I didn't receive  
18 anything from any of the other stakeholders.

19 MR. ERIC HOAKEN: Right. Now if you look  
20 at then these comments that you and I have just gone  
21 through on page 3, the underlined ones --

22 MR. ANDREW ENNS: Correct.

23 MR. ERIC HOAKEN: -- if you carry over,  
24 you're certainly welcome to look at the draft which is at  
25 the next tab of the brief, but those comments are picked

1 up then in the brief and -- or excuse me, in the draft --  
2 and so it would appear to anyone then reading that draft  
3 number 1, that those comments had been yours, right?

4 MR. ANDREW ENNS: Yes.

5 MR. ERIC HOAKEN: So it would not be  
6 clear, for example, to Mr. Warden or Mr. Kuczek who had  
7 not had the opportunity to read the top line and know the  
8 extent to which there had been changes made by Mr. Meder  
9 and incorporated by you, they would think they were  
10 reading your conclusions, right?

11 MR. ANDREW ENNS: Could well be.

12 MR. ERIC HOAKEN: Now if you go over to  
13 page 4 you'll see there's an underlined paragraph, it's  
14 about the fourth paragraph down, and it says,

15 "The Hydro customers identified trust  
16 as a major factor."

17 And that's an observation that you did not  
18 think was important enough to include in the first draft  
19 of the top line, right?

20 MR. ANDREW ENNS: It didn't tie directly  
21 to one of the -- one of the objectives, although it was a  
22 discussion that we had subsequent to the groups -- after  
23 we had done both sets of groups -- just in the back room,  
24 that was one of the things that sort of struck us in both  
25 evenings of groups that there was this -- this trust

1 factor with Hydro.

2 MR. ERIC HOAKEN: Well, it struck you but  
3 it didn't strike you enough to include it in the first  
4 draft of the top line, fair?

5 MR. ANDREW ENNS: Fair.

6 MR. ERIC HOAKEN: And your job in trying  
7 to distill four (4) or five (5) hours, perhaps more, of  
8 focus group discussions, there's lots of comments that  
9 get made and your job is to try and identify the ones  
10 that are noteworthy or significant.

11 MR. ANDREW ENNS: Correct.

12 MR. ERIC HOAKEN: And engaging in that  
13 process you did not, therefore, conclude for the purposes  
14 of preparing the top line that this was an important  
15 observation, right?

16 MR. ANDREW ENNS: In preparing the top  
17 line summary -- again, without going back through the  
18 tapes, which I did subsequently -- I was relying on -- on  
19 the -- the core objectives to sort of guide the structure  
20 of the top line.

21 And I mean, I'm going from my -- my, you  
22 know, experience in moderating the four (4) groups, in  
23 pulling from -- looking at the objectives and trying to  
24 address those. Trust didn't directly come in under one  
25 of those. I can see, from a client's perspective, where

1 they might want that highlighted.

2 MR. ERIC HOAKEN: Well, I guess what I'm  
3 struggling with is why it wasn't important enough for you  
4 to include the first time around, but now when you read  
5 the draft and indeed the final version it says trust is a  
6 major factor.

7 How did it go from being not insignificant  
8 enough -- or not significant enough to include to being a  
9 major factor?

10 MR. ANDREW ENNS: Well, again, if you go  
11 back to the objectives of the focus group, the selection  
12 process wasn't a large objective. I mean, it certainly  
13 came through in the discussion, in terms of some of the  
14 terminology of -- of looking at the difference between  
15 marketers and Manitoba Hydro, the different terminology  
16 between regulated and licenced, and there were some  
17 comments raised, you know, in the groups with respect to  
18 they just, you know, being comfortable with Hydro and  
19 trust.

20 The fact that I didn't note it in the  
21 initial top line summary -- you know, again, going back  
22 through the tapes these comments were certainly raised  
23 and raised in -- in the groups, so they're certainly not  
24 out of place to be -- to be noted in the executive  
25 summary.

1                   MR. ERIC HOAKEN:    But I'm sure going  
2 through the tapes you heard lots of other comments that  
3 were raised that don't get any reference in the executive  
4 summary, right?

5                   MR. ANDREW ENNS:    It could be the case,  
6 yeah.

7                   MR. ERIC HOAKEN:    Right.  And again, if  
8 it hadn't have been for the suggestion of Mr. Meder that  
9 we're seeing here, you might never have even made  
10 reference to trust in the focus group report, fair?

11                  MR. ANDREW ENNS:    Might, but again going  
12 back through the tapes and -- and looking at the  
13 objectives and -- and wanting to do the best job you can,  
14 in terms of providing, you know, information to the  
15 client, it -- it may have.

16                  And these are top line -- top line notes  
17 without going -- without the benefit of going back  
18 through and reviewing the tapes in -- in greater detail  
19 and -- and flushing out where -- where necessary.

20                  MR. ERIC OAKEN:    On page 4, just down the  
21 page under the heading "Different Products," you'll see  
22 there's a comment Mr. Meder has made in the margin there.

23                  And the way I read it - tell me if you  
24 read it the same way - he appears to want to expand this  
25 section to add some reference to the proportions of

1 participants at the focus group studies -- or excuse me,  
2 sessions, who said certain things.

3 MR. ANDREW ENNS: My copy's got some  
4 blocked out here --

5 MR. ERIC HOAKEN: Yeah, mine's also a  
6 little tricky to read. If you look at the top comment,  
7 I'll tell you how I read it. Maybe Ms. Murphy can help  
8 us but is:

9 "Anything we can add, regarding the  
10 proportions..."

11 And then it's blank. It might be "of".

12 MR. ANDREW ENNS: Yeah.

13 "Anything we can add regarding the  
14 proportions, preferring each of the  
15 reasons why they preferred one (1) year  
16 versus three (3) year or five (5) year  
17 plans."

18 MR. ERIC HOAKEN: Right. And then as I  
19 read the comment he then goes on to tell you what his  
20 understanding of the preferences were, right?

21 MR. ANDREW ENNS: Right. Which we went  
22 back and, in the course of preparing the final report,  
23 reviewed those particular areas to -- to determine sort  
24 of is there a general pattern obviously, you know, being  
25 careful with -- with numbers.



1                   MR. ERIC HOAKEN:    And so your evidence is  
2   that you went back and listened to the tapes and you were  
3   able to verify the numbers that Mr. Meder has here?

4                   MR. ANDREW ENNS:    Well, I think -- I  
5   think there is a first response back, in terms of the top  
6   line, where we added in -- added in some -- some stuff.  
7   But certainly we had the benefit of looking at the  
8   respondents', in the groups, prepared questionnaires.  
9   They rated these -- these things.

10                  So while you can't use the numbers in a  
11   statistical way, we -- we put the numbers in a table to  
12   see was there a pattern here, in terms of a difference  
13   between Hydro customers and -- and preferences, versus  
14   marketer customers and preferences.

15                  MR. ERIC HOAKEN:    Right.  But as we  
16   talked last day a pattern that would be statistically  
17   insignificant and not projectable to the population at  
18   large?

19                  MR. ANDREW ENNS:    Right.

20                  MR. ERIC HOAKEN:    And there --

21                  MR. ANDREW ENNS:    Perhaps directional,  
22   and one can interpret as such.  I mean --

23                  MR. ERIC HOAKEN:    Right.  But in this  
24   case not, because in this example we actually know that  
25   it is completely inconsistent with the results you got

1 from a qualitative research on this very same question,  
2 right?

3 MR. ANDREW ENNS: Correct.

4 MR. ERIC HOAKEN: So it was only after  
5 Mr. Meder told you that he wanted more details about  
6 proportions that you inserted this table that now appears  
7 at page 4 of the focus group report, right?

8 MR. ANDREW ENNS: And certainly I can  
9 tell you, in terms of at the top line stage of drafting I  
10 didn't have all this material at hand to go back, so this  
11 was my -- my effort of providing an indication of -- of  
12 what the discussion -- how the discussion went on these  
13 products.

14 Certainly this would have been one (1)  
15 area that would have, in any event, expanded upon, once  
16 you have the ability to go through the respondent  
17 questionnaires, go through the tapes, et cetera.

18 MR. ERIC HOAKEN: All right. But in any  
19 case, I think we agree that any reader of your report  
20 should be careful about drawing any conclusions from the  
21 numbers in those tables, is that fair?

22 MR. ANDREW ENNS: Yeah, I believe we've  
23 went over that before, that -- that certainly the focus  
24 group reports should be treated as directional and  
25 interpretive.

1                   MR. ERIC HOAKEN:    Now, just tell me this:  
2 Did you have any concern when you saw Mr. Meder's comment  
3 that he was confused about the purpose of qualitative  
4 research?  Because here he is asking you to address  
5 proportions of respondents, and that's something I think  
6 we talked about last day and you agreed that it's  
7 something that you're not really supposed to do.

8                   Did -- did you have any concern that he  
9 might not understand the purpose of qualitative research  
10 and, ultimately, the purpose of stating conclusions?

11                  MR. ANDREW ENNS:    No.

12                  MR. ERIC HOAKEN:    And on that basis then  
13 you felt comfortable accommodating his request to expand  
14 this part of the report about the proportions of  
15 respondents?

16                  MR. ANDREW ENNS:    I believe when I went  
17 back, and -- and I believe if we go back through the  
18 final -- the final report, I'm comfortable the way the --  
19 there are some numbers stated, but I'm comfortable  
20 they're -- they're stated and referred to in a way that  
21 won't mislead -- mislead the reader.

22                  MR. ERIC HOAKEN:    Over to page 5, if you  
23 look at the 4th paragraph down, you've got two (2)  
24 underlined paragraphs which are being added by Mr. Meder  
25 as part of his comments, right?

1 MR. ANDREW ENNS: Correct.

2 MR. ERIC HOAKEN: And these, again, are  
3 comments that you had not felt were significant enough or  
4 noteworthy enough to include in the draft, but he is now  
5 proposing to include them?

6 MR. ANDREW ENNS: That would be correct.

7 MR. ERIC HOAKEN: And I think I'm correct  
8 -- you can certainly look and make sure that I am -- but  
9 I believe if you look at page 5 of the final report,  
10 you'll see that you adopted those virtually verbatim,  
11 correct?

12 MR. ANDREW ENNS: Correct.

13 MR. ERIC HOAKEN: So in the first go-  
14 round, you hadn't thought the comments or observations in  
15 the focus group process about door-to-door marketing were  
16 significant enough to include reference to in -- in the  
17 executive summary.

18 But again, you've accommodated the request  
19 of Mr. Meder that this be highlighted or embellished. Is  
20 that fair?

21 MR. ANDREW ENNS: I think it's important  
22 to understand again, the -- the objective here was we --  
23 we were looking at the knowledge level and the comfort  
24 level of -- of customers when it came to they're making  
25 decisions with respect to natural gas service.

1                   In the top line I address it fairly  
2 directly in terms of the high level, the broad -- the  
3 broad finding, which were in the first couple of  
4 paragraphs that are above Mr. -- the comments asserted by  
5 Mr. Meder. Those comments don't change anything, with  
6 respect to that particular finding. I think they -- they  
7 add an additional element to that -- to that section.

8                   Again, to -- to suggest that those  
9 comments may not have made it to the -- to the final  
10 report, one can't say for certain -- they certainly again  
11 were -- comments were made in the -- in the focus groups  
12 to this effect. So I didn't certainly see that they were  
13 changing the, sort of my -- what -- what I found.

14                   MR. ERIC HOAKEN:   No, but they were  
15 adding an observation that you hadn't felt --

16                   MR. ANDREW ENNS:   They we're adding  
17 observation, yes correct.

18                   MR. ERIC HOAKEN:   Let me just finish the  
19 question.

20                   MR. ANDREW ENNS:   Sorry.

21                   MR. ERIC HOAKEN:   They were adding an  
22 observation that you hadn't thought was important enough  
23 the first time around?

24                   MR. ANDREW ENNS:   At the top line level,  
25 correct, yes.

1                   MR. ERIC HOAKEN:    Right.  Which as we've  
2 discussed was really the draft of the executive summary?

3                   MR. ANDREW ENNS:    But without -- without  
4 the benefit of going through in -- in further detail and  
5 -- and, you know, determine if there's other things to be  
6 added.

7                   MR. ERIC HOAKEN:    And just carrying on  
8 down the same page, you -- you'll see under the heading  
9 about the residential guide, second paragraph, it looks  
10 to me that you made the statement in your draft; you  
11 said:

12                                 "Participants felt it was generally  
13                                 well written and in an uncomplicated  
14                                 language."

15                   And then what Mr. Meder has done is gone  
16 on and added reference to what he recalls being positive  
17 comments that were made.

18                   Now just so I'm clear, and I think we all  
19 need to be clear about this, at the time that Mr. Meder  
20 was making these comments, he didn't have access to the  
21 tapes, right?

22                   MR. ANDREW ENNS:    Correct.

23                   MR. ERIC HOAKEN:    So he was making these  
24 comments simply based on his recollection of what had  
25 occurred, or perhaps based on notes that he'd taken?

1                   MR. ANDREW ENNS:    That -- that could be  
2 correct, yes.

3                   MR. ERIC HOAKEN:    And in each of the  
4 cases we've gone through - and there's a few others we'll  
5 look at - what you're telling this Board is that you went  
6 back and listened to the tapes and you felt that the --  
7 the comment that Mr. Meder was making could be adopted  
8 without any changes or additions being made.

9                   Is that fair?

10                  MR. ANDREW ENNS:    If -- if I felt  
11 comfortable and they occurred in a group and they were  
12 supported by the -- the discussion in the group. And in  
13 -- in -- in these cases by, you know, my experience as  
14 well, the fact that I didn't -- didn't jot them down in  
15 the initial -- in the initial top line, certainly don't  
16 mean they didn't -- they didn't occur, and certainly  
17 don't -- don't jive with my recollection of the  
18 discussions as well, at this particular time.

19                  MR. ERIC HOAKEN:    And so he's made the  
20 suggestion here about comments that can be added --  
21 positive comments that were made in the course of the  
22 focus groups, and you've ultimately accepted that?

23                  MR. ANDREW ENNS:    He's provided a few  
24 examples of -- of some of the actual positive comments; I  
25 didn't go to that extent the first -- in the first top

1 line. I just said it was -- received pos -- positively,  
2 and people commented it was uncomplicated; he provided  
3 some examples of -- of that.

4 MR. ERIC HOAKEN: And you simply adopted  
5 those examples?

6 MR. ANDREW ENNS: They did occur. I  
7 mean, the -- the discussions and comments did occur, yes.

8 MR. ERIC HOAKEN: So you adopted them?

9 MR. ANDREW ENNS: Correct.

10 MR. ERIC HOAKEN: Now, over to page 6, in  
11 the third paragraph that starts, "In a few sessions;" do  
12 you see that?

13 MR. ANDREW ENNS: Yes.

14 MR. ERIC HOAKEN: This is the section of  
15 the focus group report that makes reference to the fact  
16 that some of the respondents in the session felt that  
17 this publication was biassed in favour of Manitoba Hydro,  
18 right?

19 MR. ANDREW ENNS: Correct.

20 MR. ERIC HOAKEN: And as I read the  
21 comments that Mr. Meder was making, he was trying to get  
22 you to change how you'd address that point, is that fair?

23 MR. ANDREW ENNS: It -- he's drawing my  
24 attention to that point, in terms of looking at either  
25 how it's worded -- I don't know if he's suggesting a



1 change -- I'd have to take a little more time -- but he's  
2 certainly -- he's -- he's making some -- some comments  
3 there, I think, in that top bubble, about the -- about  
4 the rec -- about what his recollection was and -- and  
5 just wanting to you go, you know, see if -- just to go  
6 back, I guess.

7 MR. ERIC HOAKEN: Well, take as much time  
8 as you need to look at it, but I'm going to suggest to  
9 you that what he's doing is he's telling you that his  
10 recollection is different than the one that has informed  
11 this draft paragraph, right?

12 MR. ANDREW ENNS: Well, I think, quite --  
13 quite frankly, I mean, and -- and we -- this was a  
14 discussion that we -- we had after the -- after the  
15 groups immediate -- immediately after the groups, and  
16 it's what I -- I believe I tried to, in -- in an earlier  
17 discussion, I'm not sure if it was with Mr. Peters or --  
18 or with Mr. Saxberg, but the notion of -- of this bias; I  
19 mean first of all, it wasn't a strong -- it wasn't a  
20 strong feeling of bias, but the comment was made.

21 And then the issue was -- was it the  
22 document that was -- was creating this bias. Or was it  
23 more of a preconceived bias that may have -- that -- that  
24 some individuals may have had, just with fre -- with  
25 respect to marketers, and that the document itself may --

1 may not have been particularly biassed, but they were  
2 parti -- they were latching on to particular points.

3           So I think -- and I mean I tried to make  
4 that point and I actually tried to make that point in the  
5 -- in the report.

6           The -- the -- because in the -- in the  
7 sessions there were comments made with respect to people  
8 latching onto a phrase, saying, Well, you have to sign a  
9 contract -- or no contracts with Hydra; I'm not sure of  
10 the exact wording. And on itself, that doesn't strike --  
11 you know when our discussion it didn't strike this a  
12 particularly biassed statement, but if one had a  
13 preconceived, maybe, notion of a -- of a -- of how it  
14 works with a marketer, they might use that.

15           And so we wanted to be careful. Was it  
16 the -- was there elements of the document itself that  
17 were bias -- written in a biassed manner and that were  
18 clearly putting off a few individuals. And so that was  
19 what -- and -- and import -- and I -- and I think -- you  
20 know, that was the discussion that we had after the  
21 groups and I thought it was an important distinction,  
22 because, you know, you don't want to sort of throw out a  
23 document that may be perfectly good, but just happens  
24 that some people interpret in a -- in a -- because of  
25 preconceived ideas, so I wanted to be clear on that. And

1 -- and -- but it's a difficult -- it's also, you know,  
2 it's an important distinction.

3 I think Mr. Meder is going back, and what  
4 I basically took from his comments was, you know, it's an  
5 important -- this is an important piece of the -- an  
6 important comment being made. And I don't think he's  
7 challenging whether or not the bias -- but he's asking  
8 that, you know, we go back and give this a good -- a good  
9 look and, if necessary, go back to the tapes.

10 MR. ERIC HOAKEN: And in fairness, that's  
11 really what I was suggesting, is that Mr. Meder is taking  
12 some issue, if I can put it that way, with the incidents  
13 or frequency with which the comments were made about  
14 bias; is that --

15 MR. ANDREW ENNS: Right. And I think we  
16 -- we -- I suspect he'd -- we'd probably still continue  
17 'cause I -- I -- you know, when it's not a strong feeling  
18 -- I did try to make the point that it wasn't a strong,  
19 you know, a strong feeling. It was raised by one (1) --  
20 I think raised spontaneously by only two (2) individuals,  
21 but a few other individuals nodded in the group.

22 And so you know, again, I tried to make  
23 the point that it wasn't strong and I think -- I think  
24 Mr. Meder was also -- I don't think he was -- I mean,  
25 again, I reread that; I don't believe he's saying it

1 didn't occur. Like, I don't believe he's going that far.  
2 I think he's just also maybe looking at the level of  
3 incidents.

4 MR. ERIC HOAKEN: All right. But you've  
5 now, you've told us, had an opportunity to go back and  
6 listen to the tapes, I assume you've also read the  
7 transcript, and you'll agree with me that some suggestion  
8 of bias came up, in fact, in all of the sessions?

9 MR. ANDREW ENNS: But the point -- I  
10 think the important distinction, Mr. Hoaken, is that I --  
11 I -- sorry, I prompted the issue in, I believe, two (2)  
12 out of the four (4) sessions. It came up independent --  
13 it came spontaneously.

14 Because the approach I wanted to take was  
15 -- I wanted to try, in a -- in a -- without actually  
16 prompting directly with a question, I wanted to see if  
17 people would, when I probe on, What are your comments,  
18 What are your feelings -- reflection of this, Any  
19 concerns, I wanted to see if that came up on its own.  
20 Because there is a difference of on its own, versus a  
21 prompted. And then I did follow up with -- in every --  
22 every group with a prompted. So it does come up --

23 MR. ERIC HOAKEN: Okay, thank you, I  
24 accept that.

25 Back, though, to the comment that Mr.

1 Meder is making here. He is saying, as I read his  
2 comment -- and, again, tell me if you read it a different  
3 way -- but he's saying that he recalls only one (1)  
4 comment from Manitoba Hydro customers.

5                   You said in a few sessions there were  
6 comments, and he's then saying, Well, I only remember  
7 there being one (1) comment from Manitoba Hydro  
8 customers, right?

9                   MR. ANDREW ENNS: That -- in a few -- in  
10 a few sessions there were some comments from this  
11 document and --

12                   MR. ERIC HOAKEN: Yeah, and then look in  
13 his; he says, "I recall one (1) --"

14                   MR. ANDREW ENNS: Right.

15                   MR. ERIC HOAKEN: "-- comment from  
16 Manitoba Hydro customers."

17                   MR. ANDREW ENNS: Exactly. But I -- and  
18 that may be correct, I don't disagree with that, but my --  
19 my initial statement is a few sessions. So I'm going  
20 beyond Manitoba Hydro --

21                   MR. ERIC HOAKEN: Right.

22                   MR. ANDREW ENNS: -- sessions; and so  
23 there were marketer sessions. Marketer customers were  
24 more likely to raise this issue, but it did surface in  
25 one (1) Hydro customer group as well, so I do make that--

1                   MR. ERIC HOAKEN: Okay, but after he told  
2 you that he remembered there being only one (1) comment  
3 from Manitoba Hydro customers, then you went back and  
4 changed the draft so there was an expressed reference to  
5 one (1) customer, right?

6                   MR. ANDREW ENNS: Well, if we go back and  
7 look at the -- that's my original comment but what did...

8

9   (BRIEF PAUSE)

10

11                   MR. ERIC HOAKEN: Just look -- it's  
12 probably easiest if you just tab forward in the brief  
13 I've given you this morning.

14                   MR. ANDREW ENNS: That's -- that's  
15 exactly where I am.

16                   MR. ERIC HOAKEN: Okay. And if you look  
17 now, draft 1 -- which really is draft 2, I suppose -- but  
18 it now says,

19   "In a few sessions there was a handful  
20   of comments raised,"

21 and in brackets you say,

22   "Only one (1) by a Hydro participant."

23 So you've inserted that to --

24                   MR. ANDREW ENNS: Correct.

25                   MR. ERIC HOAKEN: -- adopt the comment

1 Mr. Meder is --

2 MR. ANDREW ENNS: Right.

3 MR. ERIC HOAKEN: -- making?

4

5 (BRIEF PAUSE)

6

7 MR. ANDREW ENNS: So what happened going  
8 back is we went back to the tapes to determine whether it  
9 was -- I mean, I never suggested it was more than one (1)  
10 in the beginning; I believe there was just a request to  
11 sort of specify the extent.

12 MR. ERIC HOAKEN: Right. And you  
13 accommodated that request?

14 MR. ANDREW ENNS: Yes.

15 MR. ERIC HOAKEN: Okay. That was really  
16 the only point.

17 Now, on page 6, under the heading of  
18 "Buying Natural Gas," on the very bottom of the page  
19 there's a paragraph that begins, "Ultimately;" do you see  
20 that?

21 MR. ANDREW ENNS: Correct.

22 MR. ERIC HOAKEN: And it appears to me --  
23 well, this is clearly a comment, or a -- a paragraph that  
24 Mr. Meder has asked you to include, right?

25 MR. ANDREW ENNS: Correct.

1                   MR. ERIC HOAKEN:    And if you look at his  
2 comment, it's at the bottom of the page on the right, GM  
3 15 Andrew, he says:

4                    "What can I say about this paragraph?  
5                    This was my conclusion, but I would  
6                    like to review -- I would like to  
7                    review [I'm not sure what that means]  
8                    I would like to review now the straw  
9                    vote counts from each group or review  
10                   the tapes to confirm."

11                   So he's telling you this is what he  
12 concluded, based on his recollection of the sessions --  
13 of these sessions, and he's asking you to incorporate  
14 this, right?

15                   MR. ANDREW ENNS:    Correct.

16                   MR. ERIC HOAKEN:    And again, you  
17 accommodated him because if we look at the final draft,  
18 this paragraph appears virtually verbatim.

19                   MR. ANDREW ENNS:    Correct.  Again, that's  
20 -- he's suggesting some language -- to go back -- and I  
21 needed to go back and -- and there's a fair amount of  
22 additional information, that we went back into the tapes  
23 to determine the -- the actual reactions to the various  
24 ad inserts which I believe are included as well.  But  
25 certainly it bears out the comment that Mr. Meder made.



1                   MR. ERIC HOAKEN:    But he -- he's asking  
2   you to be more explicit about the preference for one ad  
3   over another, than you had been in your first draft,  
4   right?

5                   MR. ANDREW ENNS:    Again, at the top line  
6   level, I didn't have the -- I mean this was something we  
7   did need to go back -- go back into and -- and we  
8   discussed it after the groups that this was sort of the -  
9   - the feeling.

10                   But I wanted to go back in and -- and look  
11   at -- look at things a bit more clearly on this  
12   particular point, because we had show of hands in terms  
13   of preferences after we had discussed both groups and  
14   needed to -- needed to review those.

15                   MR. ERIC HOAKEN:    But I guess that's what  
16   I'm struggling to understand:  Is why does it add  
17   anything to this document for you to go back and as you  
18   say, look at the show of hands?

19                   Because at the end of the day, given the  
20   inherent limitations of qualitative research, isn't it  
21   going to be equally helpful for the reader if you simply  
22   say, Some people liked 'X' and some people liked 'Y'?

23                   MR. ANDREW ENNS:    But if -- if there's --  
24   I think it is valuable to the -- to the client to  
25   understand if most people in a group preferred one (1),

1 or most people across four (4) or five (5) or six (6)  
2 groups tended to prefer one (1) or if there was some  
3 general comments with respect to one (1) particular ad or  
4 -- or insert over another one --

5 MR. ERIC HOAKEN: But here it was --

6 MR. ANDREW ENNS: -- because I think --

7 MR. ERIC HOAKEN: Oh, I'm sorry, I  
8 thought you were --

9 MR. ANDREW ENNS: So -- so I don't think  
10 it's -- it's un -- unhelpful to -- to go through this and  
11 look at just generally where the groups were.

12 It certainly didn't -- I mean, the problem  
13 -- and I think we've had this discussion before, the  
14 problem -- there -- there were significant concerns with  
15 both -- with both versions of the ad. And -- and so it  
16 does -- sometimes it makes that more difficult to -- to  
17 understand, because clearly from a -- from the client's  
18 perspective neither ad is going to be acceptable as it  
19 is.

20 But now you have to look at the layout and  
21 the approach and the intent of the ad, and -- and in some  
22 cases what you're doing is you're -- you're looking at  
23 the -- the intensity of the negative comments versus the  
24 positive comments, in terms of saying which -- which  
25 approach is preferred.

1                   MR. ERIC HOAKEN:    But here it was a  
2 pretty close call, right?  Because in the first draft you  
3 say opinion was pretty equally split or evenly split, I  
4 think you say, right?  Look in the second --

5                   MR. ANDREW ENNS:    Exactly.

6                   MR. ERIC HOAKEN:    Yeah.

7                   MR. ANDREW ENNS:    And -- and in going  
8 back through the -- there was some groups were -- were  
9 divided on -- on whether they preferred the ads, other --  
10 you know, other groups -- it needed to be flushed out  
11 further in terms of going back through.  Again, because  
12 even from my -- and again, initial -- initial perspective  
13 -- which in this case would have definitely had to have  
14 been considered, you know, looking at the tapes.

15                   Because it wasn't -- there wasn't sort of  
16 a -- there wasn't a clear cut preference, and in fact  
17 both ads elicited a amount of -- of discussion, with  
18 respect to concerns, or just not going far enough, or not  
19 providing the right information or in the right format.

20                   MR. ERIC HOAKEN:    All right.  But in any  
21 case, when you look at the final wording that you  
22 adopted, a reader would think that there was a stated  
23 preference for the one ad over the other, right?  Just  
24 look at page 7 of your report.

25                   MR. ANDREW ENNS:    Right.  And that -- and

1 borne out again through the -- through the tapes and the  
2 discussion, there -- there was a preference for the one  
3 (1) ad which -- which compared -- which just provided  
4 information about your different sources of natural gas -  
5 - was clear and provided good information; but it wasn't  
6 necessarily new information as opposed to the rates; was  
7 more interesting information.

8                   And again it was sort of -- that's what  
9 they wanted to -- that's what -- that's what the  
10 participants wanted to see, but it had a problem in terms  
11 of the rates; the way they were displayed and compared.

12                   And so they -- that's where the difficulty  
13 is, and that's what we tried to, you know, tried to  
14 discuss.

15                   MR. ERIC HOAKEN: Right. But when you  
16 did the first draft, that preference wasn't clear enough  
17 to you to include it in the draft, right, and it was only  
18 after --

19                   MR. ANDREW ENNS: No, I believe -- I  
20 believe it was. I mean, I think it just -- again at a  
21 top line, you know, level, I believe -- I believe that  
22 there was a preference to the -- to the rates but is --  
23 there were -- the concerns were the comparability of  
24 those rates, so that ad -- and -- and it was an important  
25 point.

1 I mean, I didn't want to leave the  
2 impression with -- with the client, that just take that  
3 ad and -- and run with it because there were problems  
4 with that ad. But the notion of providing consumers or  
5 these participants with -- with rate information in a  
6 comparative fashion, that had merit if it could be done  
7 in a way that -- that allowed them to compare -- and I  
8 think we talked about apples-to-apples.

9 MR. ERIC HOAKEN: Right. So following  
10 your receipt of this marked up top line from Mr. Meder on  
11 the 14th of June, you then worked on the preparation of  
12 the final report, correct?

13 MR. ANDREW ENNS: Correct.

14 MR. ERIC HOAKEN: And that report was  
15 sent by your colleague to Centra on the 20th of June,  
16 right?

17 MR. ANDREW ENNS: Correct.

18 MR. ERIC HOAKEN: And that's at Tab -- I  
19 think at the tab we were just looking at. No, it's not,  
20 it's...

21 MR. ANDREW ENNS: 27?

22 MR. ERIC HOAKEN: Sorry, the next tab, at  
23 Tab 26.

24 MR. ANDREW ENNS: 26, right.

25 MR. ERIC HOAKEN: And so, as I think

1 you've agreed with me already, there are a number --  
2 actually I should just back up.

3                   You -- you knew that this draft, which is  
4 marked draft 1, was going to be distributed to a number  
5 of folks at Centra, right?

6                   MR. ANDREW ENNS:    Which -- pardon me,  
7 which draft 1 are we...?

8                   MR. ERIC HOAKEN:    I'm sorry, the draft  
9 that --

10                  MR. ANDREW ENNS:    Mr. -- Mr. Soeque sent?

11                  MR. ERIC HOAKEN:    Mr. Soeque sent, on the  
12 20th.

13                  MR. ANDREW ENNS:    I don't -- I mean I --  
14 sending it to the -- to the client I don't know whether I  
15 assumed one way or the other, whether or not multiple  
16 people, but I suspect that it was in a format that was  
17 suitable for more -- more people to review.

18                  MR. ERIC HOAKEN:    Yeah, and I'm sorry,  
19 just so we're not unclear about it, just flip back to the  
20 last tab because --

21                  MR. ANDREW ENNS:    Sure.

22                  MR. ERIC HOAKEN:    -- you'll remember the  
23 email Mr. Meder sent you on the 14th --

24                  MR. ANDREW ENNS:    Right.

25                  MR. ERIC HOAKEN:    -- where he said what

1 he was going to do was he was going to await your next  
2 draft, which incorporated his comments, and then he was  
3 going to distribute it over -- at the end there you see?  
4 He says:

5 "So I can distribute it for review over  
6 the weekend."

7 MR. ANDREW ENNS: Right. And I think --  
8 but I -- I think that's different than the report that  
9 ultimately Mr. Soeque forwarded. I think that may have  
10 been like a revised top line because --

11 MR. ERIC HOAKEN: Okay. So was there  
12 then something else? We've got the top line that Mr.  
13 Meder sends back to you on the 14th of June; that's what  
14 we've been looking at.

15 Are you saying there's another version or  
16 draft of that top line?

17 MR. ANDREW ENNS: Well, just reading the  
18 -- I mean, I -- I guess I'm not sure. I'm just reading  
19 the email. And this is the Thursday and Mr. Meder's  
20 looking to get something on the Friday, which would be  
21 the 15th --

22 MR. ERIC HOAKEN: Yes.

23 MR. ANDREW ENNS: -- and then I'm very  
24 certain I wouldn't have a final, like a -- a full report  
25 done on the 15th. But potentially we may have -- I mean

1 I'm not sure, maybe that -- maybe -- maybe we didn't  
2 proceed; maybe we had a conversation.

3 Yeah, so I -- I believe there is a -- I  
4 don't know -- there's now going to be more problems --  
5 but there is a version 2. Is this a ver -- there is a  
6 version 2 of -- which I sent back on the Friday, that  
7 15th.

8 I don't think I made Mr. Meder's 4:00 p.m.  
9 deadline, but the -- which is still a top line summary,  
10 it's not the full report --

11 MR. ERIC HOAKEN: Right.

12 MR. ANDREW ENNS: -- which I returned  
13 back and then -- and then I think from there on we worked  
14 on the final -- on a full first draft of the full report.

15 MS. MARLA MURPHY: Perhaps for the record  
16 I can indicate, it's in the material in the response to  
17 DEML-60. And In my book it's immediately in front of the  
18 June 14th one that we've been discussing. It's date  
19 Friday June the 15th at 5:09 p.m. from Andrew Enns to  
20 Grant Meder.

21 The re -- the referencer is top line  
22 summary; it's got in brackets two (2).

23

24 CONTINUED BY ERIC HOAKEN:

25 MR. ERIC HOAKEN: Thank you. I didn't



1 see it in the materials. I take your word for it that  
2 it's there, I just didn't see it. Okay, so thank you,  
3 you've clarified that then.

4 So there were two (2) versions -- two (2)  
5 drafts, if you will, of the top line, right?

6 MR. ANDREW ENNS: Correct.

7 MR. ERIC HOAKEN: And then a draft of the  
8 full focus group report, which would have incorporated in  
9 the comments that had been made on the top line, to date.

10 MR. ANDREW ENNS: Correct, and any other  
11 additional things that were selected to add.

12 MR. ERIC HOAKEN: All right.

13

14 (BRIEF PAUSE)

15

16 MR. ERIC HOAKEN: And looking at Tab 27  
17 then, it appears that you got a markup of draft 1 of the  
18 focus group report, on the 27th of June --

19 MR. ANDREW ENNS: Correct.

20 MR. ERIC HOAKEN: -- which was a  
21 Wednesday, and then issued the final report, am I right  
22 about this, on Tuesday the 3rd of July?

23 MR. ANDREW ENNS: I'm not sure. I mean,  
24 if you have an email from me that says that, then I'm --  
25 I'm good with that. I mean, I suspect it would have been

1 around that time. I mean there weren't -- weren't a lot  
2 of -- there weren't a lot of things we had to take into  
3 account or go back, so it would have been a fairly quick  
4 turnaround.

5 MR. ERIC HOAKEN: I -- I'm just going by  
6 the cover page. If you go back to the other brief that  
7 you and I have been using, go to Tab 2.

8 MR. ANDREW ENNS: Okay.

9 MR. ERIC HOAKEN: It -- it says Tuesday,  
10 July 3, '07 on the cover.

11 MR. ANDREW ENNS: Okay. Yeah, it...

12 MR. ERIC HOAKEN: And just going -- I've  
13 now had a chance to find that email you made reference  
14 to. Thank you for that. It's Friday, June 15th, 2007 at  
15 5:09 p.m.

16 And it -- it appears to me this was your  
17 suggestion then, that the top line summary be used as the  
18 executive summary; am I reading that correctly?

19 MR. ANDREW ENNS: Well, at this point,  
20 with the changes that -- that came back, and the -- and  
21 the request for some clarification and further -- it  
22 starts to take on that -- take on that. As I said  
23 earlier, top lines can -- can be -- can be very brief and  
24 -- and don't resemble the executive summary that much.

25 But in this case there was obviously a

1 fair amount of feedback exchanged between the client and  
2 myself, that at this point, you know, it -- didn't feel  
3 the need to start to rewrite everything -- everything  
4 again for an exec summary. There was a fair amount of  
5 detail here already to begin with; some feedback from the  
6 client which added some examples and additional detail.

7 MR. ERIC HOAKEN: Now, by the time you  
8 issued the final focus group report on the 3rd of July,  
9 the whole focus group process had unfolded somewhat  
10 differently than you had anticipated when you had first  
11 become involved in this project, is that fair?

12 MR. ANDREW ENNS: In -- in what way?

13 MR. ERIC HOAKEN: Well, your -- your  
14 original justification for doing the focus groups after  
15 the survey, was to probe the reasons that customer  
16 opinions had changed between 2004 and 2007 and as we  
17 discussed last day, that was no longer an objective; is  
18 that fair?

19 MR. ANDREW ENNS: After the results of  
20 the -- the quantitative research, there didn't -- there  
21 wasn't the desire, didn't seem to be the need in terms of  
22 going back, you know, on specific questions relative to  
23 that, apart from what we touched on. There was some  
24 overlap in the -- in the discussions on certain areas,  
25 but there wasn't any particular focus.

1                   The focus shifted to the one area that was  
2 an -- was an objective in the original RFP, that we  
3 clearly didn't address at all in the quantitative  
4 research, which was a communications -- which was a  
5 communications' aspect -- the material, and -- and how  
6 people, you know, wanted to learn about natural gas  
7 purchases. And -- and there was actually some materials  
8 we wanted to sort of test, so that clearly became the  
9 dominant focus.

10                   MR. ERIC HOAKEN:    And -- and I understand  
11 that and I'm just asking you to agree that, you know,  
12 this like many other projects you're involved in, had  
13 been iterative, in the sense that it had developed  
14 slightly different than perhaps you'd anticipated?

15                   MR. ANDREW ENNS:    Yes, it -- it evolved.

16                   MR. ERIC HOAKEN:    And one (1) of the  
17 reasons, it seems to me -- tell me if you agree with this  
18 -- that you didn't use the focus group process to explore  
19 changes in opinion; was that this survey was not really a  
20 tracking survey?

21                   You couldn't reliably compare opinions  
22 expressed in 2004 with those expressed in 2007, because  
23 of the different approach to the questions?

24                   MR. ANDREW ENNS:    In most -- there were  
25 very few questions that ultimately were similar to the

1 '04 version. And there's reference in one (1) area where  
2 there is -- where we looked back at the '04 results but  
3 we also caution that there were some changes to the  
4 wording so --

5 MR. ERIC HOAKEN: Right.

6 MR. ANDREW ENNS: Cautions --

7 MR. ERIC HOAKEN: And so I'm just trying  
8 to understand --

9 MR. ANDREW ENNS: Yeah.

10 MR. ERIC HOAKEN: -- was that part of the  
11 reason then that you backed away from using the focus  
12 groups as part of this tracking study?

13 MR. ANDREW ENNS: I don't know if that  
14 was the -- the only reason. Obviously if there was a  
15 great deal more of -- of directly comparable questions  
16 from '04 and -- and in '07, and we saw some significant  
17 changes, then perhaps we might have -- might have done  
18 that and -- and so I guess backed -- backed down to it.  
19 Yes, it could have been part of it.

20 MR. ERIC HOAKEN: And as you've quite  
21 fairly said the focus of these groups -- that's the wrong  
22 word again -- the -- the approach of the focus groups  
23 then shifted to looking at marketing pamphlets and  
24 documents?

25 MR. ANDREW ENNS: That was a very

1 important objective of the -- of the groups, yes.

2 MR. ERIC HOAKEN: Right. That had not  
3 initially been one (1) of the objectives in the RFP or  
4 the response, but by the time we got to this stage you  
5 and Centra had decided that it was worth pursuing in the  
6 focus groups. Is that fair?

7 MR. ANDREW ENNS: No, it was -- it was  
8 part -- I'm quite -- quite certain it is part of the --  
9 part of the RF -- the RFP and we ident -- we noted it in  
10 our response and we identified it. And in fact I believe  
11 in our response, which I think is part of the record, we  
12 -- we indicated at that point that -- that the  
13 communication material, the communication aspect, would  
14 be well suited for a qualitative methodology, as opposed  
15 to a quantitative.

16 I do -- I do recall it being part of the  
17 objectives, and I do recall early on in our initial  
18 discussions and I believe even -- I stand to be corrected  
19 -- but I believe even with -- with the stakeholders, that  
20 my concern about that was the -- the length of time that  
21 some of -- one (1) -- one (1) piece of this material in  
22 particular, the Residential Buying Guide, was -- was  
23 distributed to customers with such, that I didn't feel we  
24 were going to get much quantitative -- was not going to  
25 be well -- well researched quantitatively. And so -- so

1 it was part.

2 MR. ERIC HOAKEN: Okay. And I guess I'm  
3 just not seeing it. In your document, the response to  
4 the RFP, is it your recollection -- I'm not going to take  
5 you to it -- but is it your recollection that you did  
6 address that on that document?

7 MR. ANDREW ENNS: I -- I -- yeah, I  
8 thought we did. And, you know, again all -- it's -- if  
9 it's not -- but I was quite sure there was some  
10 communication aspect that -- that we touched on in our  
11 response. But I certainly -- I mean I actually have it  
12 here in front of me. In the original RFP it was -- it  
13 was definitely clearly stated that there was a  
14 communication piece.

15 MR. ERIC HOAKEN: All right. But turning  
16 to what you just said a moment ago, your conclusion was  
17 that testing the marketing materials in the quantitative  
18 study was going to be problematic?

19 MR. ANDREW ENNS: I don't know whether we  
20 -- we identified that in -- in our response, but that was  
21 -- but that was -- whenever you're looking at  
22 communication materials and you want to test these things  
23 in a quantitative setting, a key consideration is, like,  
24 when -- what's the awareness going to be and --

25 MR. ERIC HOAKEN: Right, because there's

1 no point in asking people about something they don't  
2 remember?

3 MR. ANDREW ENNS: Exactly. And so -- and  
4 so I know quite early on in -- in the discussions with --  
5 with -- certainly with the client, that -- that that was  
6 a question of mine.

7 So if we want to do this, when -- when did  
8 this go out, what did it look -- how did it go out? And  
9 so...

10 MR. ERIC HOAKEN: Right. And your  
11 understanding was it had gone out in September 2006?

12 MR. ANDREW ENNS: Yeah. I believe I was  
13 told fall of '06, yeah.

14 MR. ERIC HOAKEN: Okay. And so your  
15 conclusion was that that was too long ago to yield any  
16 meaningful results, if you tried to test it in the  
17 quantitative studies, is that fair?

18 MR. ANDREW ENNS: That was my  
19 recommendation. And -- and it also helped us with respect  
20 to another challenge, in terms of the length of the  
21 survey.

22 MR. ERIC HOAKEN: Right. And even though  
23 testing these materials in the qualitative phase has  
24 limitations, right, because it's a very subjective  
25 exercise?



1 MR. ANDREW ENNS: Correct.

2 MR. ERIC HOAKEN: And the -- the views  
3 that are expressed by the people you get in the focus  
4 groups, may well not be reflective of the views of the  
5 general population?

6 MR. ANDREW ENNS: It's -- it's directive  
7 and provides a -- a sense, potentially, of what -- what  
8 it is but it's not statistically reliable.

9 MR. ERIC HOAKEN: Right. So we have the  
10 Board -- if the Board was told, for example, that there  
11 was a slight preference for one (1) ad over another,  
12 they'd have to be careful about putting any or much  
13 reliance on that?

14 MR. ANDREW ENNS: I think the importance  
15 would be to look at the discussion and the commentary  
16 around the ads and -- and use that to form the basis of -  
17 - of some consideration.

18 MR. ERIC HOAKEN: Right. Look at the  
19 substance of the comments, instead of the incidence of  
20 the comments being made?

21 MR. ANDREW ENNS: Exactly. I think -- I  
22 think it's -- I think the package provides a much clearer  
23 picture, in terms of the -- the range, the types of  
24 comments, exactly, as opposed to the -- necessarily  
25 focussing on strictly the incident.

1                   MR. ERIC HOAKEN:   Now you told us, at the  
2 beginning of your evidence, about how the focus groups  
3 were run and you outlined the fact that there was certain  
4 observers in the observation room behind the one-way  
5 glass.

6                   MR. ANDREW ENNS:   Correct.

7                   MR. ERIC HOAKEN:   Am -- am I correct in  
8 thinking that Ms. Melnychuk, who's seated to my right  
9 here, was one (1) of the parties who was present on both  
10 days?

11                  MR. ANDREW ENNS:   Corr -- correct.

12                  MR. ERIC HOAKEN:   And I -- I understand  
13 you had some conversations with Ms. Melnychuk during the  
14 course of the process. She approached you and expressed  
15 concern about how certain issues were being addressed and  
16 what she felt was a bias?

17                  MR. ANDREW ENNS:   I think there was some  
18 -- some concerns with respect to misconceptions of --  
19 that some people had about -- about how -- how things  
20 with a marketer worked --

21                  MR. ERIC HOAKEN:   Right. And what she  
22 was asking you to do was to correct those to guide the  
23 discussion with a correction.

24                  MR. ANDREW ENNS:   Correct.

25                  MR. ERIC HOAKEN:   And you -- you decided

1 not to do that, is that fair?

2 MR. ANDREW ENNS: In a couple of  
3 incidents I did, yes, because part of my position as the  
4 moderator is -- is to make feel -- make individuals -- I  
5 don't want to be the professor; I don't want to be the  
6 expert, because people tend to be cautious in terms of  
7 providing a top of mind, or a -- a response to a question  
8 that -- that they're not 100 percent certain of the  
9 response and I might correct them and say they're wrong  
10 or something.

11 What I want people is to -- what do you  
12 think, you know, engage in -- in the discussion. And I  
13 tend to -- if there's -- if there's misconceptions in a  
14 group, my approach is to try to ask other individuals to,  
15 you know, Do you believe that to be the case? Does  
16 anybody else have a different point of view? and -- and  
17 use that approach to try to clarify misconceptions.

18 In some cases if a conception isn't -- I  
19 don't believe is -- is jeopardizing the -- the group in  
20 any way and -- and just move on.

21 I -- I tend to take that approach. Again,  
22 just because -- and it's -- it's my style but it's a  
23 common style among moderators, is that you don't want to  
24 become -- or immediately show off to be the expert on all  
25 these matters. You -- you want to ask questions that

1 people feel you're actually looking for information.

2 MR. ERIC HOAKEN: But when focus group  
3 participants said it was their understanding that Centra  
4 made a profit on primary gas, you did then step into the  
5 role of professor and you told them that they were wrong  
6 about that?

7 MR. ANDREW ENNS: In some case -- it's an  
8 important question and -- and is one (1) of the  
9 objectives that -- or one (1) of the questions that the  
10 client was interested in pursuing, so I allowed the  
11 discussion to continue, determined where the -- what the  
12 awareness was of people in terms of that question.

13 I probed, in terms of did anybody disagree  
14 with that, anybody feel it was different, and then I  
15 indicated that it was different. And what did people  
16 think about it. I thought that's material, in terms of  
17 what we were trying to go through the guide.

18 MR. ERIC HOAKEN: All right. But the  
19 issues Ms. Melnychuk raised with you were not material,  
20 in your opinion?

21 MR. ANDREW ENNS: I can't recall them  
22 specifically but I didn't they were, and they certainly  
23 weren't coming up often in the discussion.

24 MR. ERIC HOAKEN: And --

25 MR. ANDREW ENNS: I don't think.

1                   MR. ERIC HOAKEN:    -- you've now told us  
2 you've had a chance to review the transcripts and the  
3 tapes.  And I take it you'll agree that there were  
4 comments that were made that were favourable to the  
5 retailers that are not reflected in your report; is that  
6 fair?

7                   MR. ANDREW ENNS:    It could be.  I'm -- it  
8 could be, I'm not sure.  I don't -- I certainly didn't  
9 consciously take out positive references to retailers or  
10 marketers.

11                  MR. ERIC HOAKEN:    Right.  But you also  
12 didn't put them in.  Centra didn't suggest that you put  
13 any in, did they?

14                  MR. ANDREW ENNS:    I don't recall them  
15 putting any in, but I'm sure there are some positive  
16 comments about marketers in the focus group report.

17                  MR. ERIC HOAKEN:    Now let's turn to the  
18 customer research report.

19                  This is -- if you go back to the brief I  
20 gave you last day, Mr. Enns, I believe this is the first  
21 tab -- or no, it's not -- oh, yes, it is, sorry; looking  
22 at the wrong brief.  I've got too many briefs here.

23                  And there's just a couple of things I  
24 wanted to ask you about.  You've been asked by a number  
25 of other counsel about aspects of this, and I'm not going

1 to repeat those. But if you look at page 32 and, again,  
2 maybe I don't understand how this works but you have the  
3 heading "Significant Findings," right? You see that,  
4 under table 10.

5 MR. ANDREW ENNS: Correct.

6 MR. ERIC HOAKEN: And you told us the  
7 other day the sense in which you're using the word  
8 "significant," right?

9 MR. ANDREW ENNS: Correct.

10 MR. ERIC HOAKEN: But I take it that an  
11 observation you make in the report has to not only be  
12 significant in a statistical sense, but it also has to  
13 have some relevance to the overall project, right?

14 MR. ANDREW ENNS: I think I made the  
15 point earlier about significant findings underneath the  
16 tables, that I -- that it's a style that I incorporate --  
17 that we incorporate, where in addition to the discussion  
18 above the table, which tends to talk about the results in  
19 a more general sense above the table, in some cases that  
20 discussion above the table will bring in one (1) of the  
21 significant findings located underneath; most cases not.

22 The significant findings are -- are  
23 provided there to help -- to help the user of the report  
24 if there's an interest. In some cases -- and not always  
25 the day you received of the report, but in other times

1 there's -- a question comes up, with respect to all of a  
2 sudden there might be an interest in terms of is there a  
3 gender -- is there a difference between genders --

4 MR. ERIC HOAKEN: Right.

5 MR. ANDREW ENNS: -- in some things. And  
6 so -- that -- those -- this is information.

7 And in some cases some tables have no  
8 significant findings underneath, because nothing surfaced  
9 in terms of looking at the different segments. In other  
10 cases there's one (1) or two (2) or three (3) or more --

11 MR. ERIC HOAKEN: Okay, but let me just  
12 come back to my question. Because I understand; you've  
13 told us now several times the sense in which you're using  
14 the word "significant," I don't --

15 MR. ANDREW ENNS: Right.

16 MR. ERIC HOAKEN: -- take any issue with  
17 that. But what I'm simply suggesting to you is there may  
18 be lots of neat stuff, statistically, you found out, that  
19 has no relevance at all to the study objectives or to the  
20 issues that this Board is concerned with, right?

21 MR. ANDREW ENNS: That would -- that  
22 could be the case.

23 MR. ERIC HOAKEN: Right. And so all I'm  
24 suggesting to you is that in order to put something under  
25 your heading of "significant findings," it would have to

1 be significant in a statistical sense, but also  
2 noteworthy or relevant having regard to the study  
3 objectives.

4 MR. ANDREW ENNS: No, I don't believe  
5 that's the case. I mean, I think -- I don't believe  
6 there was an objective that said, you know, particularly,  
7 identify the differences between males and females when  
8 it comes to natural gas.

9 So in this case, this finding here, I  
10 don't think you can tie it back to a particular  
11 objective. But it is a significant difference for -- on  
12 this particular question, between two (2) segments that  
13 we were -- we were examining.

14 MR. ERIC HOAKEN: Okay. But -- not being  
15 critical but --

16 MR. ANDREW ENNS: Right.

17 MR. ERIC HOAKEN: -- as layperson who  
18 would read this and maybe not understand the sense in  
19 which you're using the word "significant," I might read  
20 this annotation under the table and think, Well, here's  
21 what the market research people thought was important  
22 about this particular set of results.

23 I mean, is that a possible interpretation,  
24 do you think? Is there something you might do to address  
25 that?



1                   MR. ANDREW ENNS:   Well, I think we  
2 address that by -- in the -- in the methodology section  
3 of the report. I mean -- and I can't determine how  
4 people read -- read reports, but obviously we provided an  
5 executive summary to provide -- you know, there -- there  
6 --- there's parts of a report that provide the reader  
7 with important information.

8                   The executive summary, if you just want to  
9 read and get a -- get a -- in a -- in a -- without going  
10 through fifty (50) pages, getting a sense of the  
11 findings, then -- then there's an important section  
12 which, you know, unfortunately not -- not everybody does  
13 read, but should read -- it's sort of the back part of a  
14 carton -- it's the methodology and the objectives and it  
15 tells you what we're doing.

16                   There's also a section in there in terms  
17 of the analysis approach. And in that section we -- we  
18 identify, you know, what we've done and the  
19 significance,.

20                   So granted, if -- if someone off the  
21 street may have read this, they -- they perhaps --  
22 perhaps would look at that and I think they'd understand  
23 what's being said in the bullet. But again, I'm  
24 providing -- I'm trying to provide a good detailed  
25 thorough product for a client, and I believe -- I believe

1 this isn't -- while it may be directly -- directly  
2 relevant to a particular objective, I -- I don't believe  
3 it's un -- potentially unhelpful information or -- or  
4 terribly misleading, in terms of the way it's provided.

5 MR. ERIC HOAKEN: Turn to table 11, on  
6 the same page. And I think you and Mr. Peters had a  
7 discussion about this question, and I think the -- the  
8 proposition he was putting to you is that it's a bit of  
9 trick question.

10 When you ask people if they're willing to  
11 pay anything more, there's a natural bias or tendency on  
12 their part to say no, right?

13 MR. ANDREW ENNS: In some cases.

14 MR. ERIC HOAKEN: Yeah. And is it  
15 possible that if you'd frame the question differently --  
16 and here's how I came up with the possibility. So, what  
17 if you said, Do all customers get the benefit of having  
18 natural gas purchase options or just those customers who  
19 decide to buy from retailers; is that a formulation that  
20 might have yielded a different result, in your  
21 professional opinion?

22 MR. ANDREW ENNS: I think you're asking a  
23 different question, so there's a chance it would have a  
24 different result, but I mean it's not -- it's certainly  
25 not the same as, I believe, this question.

1 MR. ERIC HOAKEN: Okay. And -- and I  
2 think -- sorry, what if you then asked my question as a  
3 lead in question?

4 So, what if you first canvassed the  
5 benefits of competition, and having canvassed that then  
6 ask people about their willingness to pay?

7 MR. ANDREW ENNS: But --

8 MR. ERIC HOAKEN: In your opinion, do you  
9 think that would have been helpful?

10 MR. ANDREW ENNS: But we did do that,  
11 actually. I mean, at table -- tab -- question -- or  
12 table 8 -- I don't have the question in front of me --  
13 but we have people -- we asked them directly about the  
14 benefits; do they agree there are, and then we ask people  
15 what they'd feel the benefits are, and then we go to the  
16 -- I -- I do believe we sort of provide that context.

17 MR. ERIC HOAKEN: Okay. So you don't  
18 think there would have been any benefit or advantage to  
19 asking if respondents felt all customers got the benefit  
20 of competition or only those who contracted with  
21 retailer?

22 MR. ANDREW ENNS: Yeah, I don't I -- I do  
23 believe table 8 does get:

24 "Do you agree or disagree that as a  
25 consumer in Manitoba you benefit from

1                   having competing choices in who to  
2                   purchase natural gas from?"

3                   All -- all partic -- all respondents were  
4 asked that, so whether they --

5                   MR. ERIC HOAKEN:    The same issue, in your  
6 view.

7                   MR. ANDREW ENNS:    I mean, I'd have to --  
8 I'd have to probably give that some -- some additional  
9 thought, but I don't believe you're going to get a --  
10 you're adding significant value to the -- to this  
11 particular topic area.

12                   MR. ERIC HOAKEN:    All right. Turn, if  
13 you will, to page 38 of the report. And at the bottom of  
14 the page is the description of the Hedging Program, or as  
15 I think it's being called in this survey, a price  
16 management program; this was the description read to  
17 respondents, right?

18                   MR. ANDREW ENNS:    Correct.

19                   MR. ERIC HOAKEN:    And you told a couple  
20 of the other counsel who had asked you questions, that  
21 how a question is framed can have a significant impact on  
22 the answers you receive, right?

23                   MR. ANDREW ENNS:    Correct.

24                   MR. ERIC HOAKEN:    And I take it you'd  
25 agree with me, that's even more true when you're talking

1 about information that you're providing to respondents to  
2 give them some basis to answer a question, right?

3 MR. ANDREW ENNS: The information you  
4 provide the respondent will -- will feed into their  
5 responses to -- to the followup question, for sure.

6 MR. ERIC HOAKEN: And that's especially  
7 the case whereas here the people that you're asking this  
8 question of have very little and, in some cases, zero  
9 independent acknowledge of the subject you're asking them  
10 about?

11 MR. ANDREW ENNS: Correct.

12 MR. ERIC HOAKEN: And in here the  
13 overwhelming majority of respondents knew nothing about  
14 the hedging activities of Centra, right?

15 MR. ANDREW ENNS: Correct.

16 MR. ERIC HOAKEN: And so it -- it follows  
17 then that the overwhelming majority of respondents are  
18 going to have no factual basis for answering this  
19 question other than what they're told by the survey just  
20 before they're asked to answer the question?

21 MR. ANDREW ENNS: Definition is important  
22 to this question.

23 MR. ERIC HOAKEN: Well, it's more than  
24 important. For about 99 percent of respondents it's all  
25 the information they have to base their response on.

1 MR. ANDREW ENNS: Correct.

2 MR. ERIC HOAKEN: And so don't you think  
3 that that really undermines the usefulness of these data?  
4 If all you're doing is telling people what they should  
5 think and then asking them what they think, how does that  
6 satisfactorily or accurately gauge perceptions of  
7 consumers?

8 MR. ANDREW ENNS: Perceptions -- I don't  
9 believe the data's invalid. I mean, the data's based on  
10 the provision of this definition --

11 MR. ERIC HOAKEN: Right.

12 MR. ANDREW ENNS: -- and -- and their  
13 reaction in terms of -- based on what you know, based on  
14 what I've just told you --

15 MR. ERIC HOAKEN: Right.

16 MR. ANDREW ENNS: -- how do you feel?  
17 And I -- I caution if you go -- go beyond, but, I mean  
18 based on this definition, I don't believe the data's  
19 invalid.

20 MR. ERIC HOAKEN: Okay.

21 MR. ANDREW ENNS: Now -- and I've --  
22 we've had the discussion with -- with other individuals.  
23 There's discussions with respect to the definition and  
24 what was read and what was not read and those are fair  
25 points, but, I mean, I'll go back to the -- this is what

1 the definition discussed and very similar to what we used  
2 in 2004 and on this definition provided to -- to  
3 consumers, I don't believe this data is inaccurate at  
4 all.

5 MR. ERIC HOAKEN: Well, it accurately  
6 captures the opinions of people who've been read this  
7 particular definition, right? So in that sense I agree  
8 with you it's valid, right?

9 MR. ANDREW ENNS: I'm trying to -- yeah,  
10 I mean, this was the definition that was provided.

11 MR. ERIC HOAKEN: Right.

12 MR. ANDREW ENNS: I mean I think it's  
13 important when you -- and that's why I thought it was  
14 important to include it as -- right on this page that  
15 when you're interpreting the data the attitude toward  
16 price management program that this is the context  
17 definitely.

18 MR. ERIC HOAKEN: Yes. And -- and so I  
19 don't think this is controversial then if you had altered  
20 the definition. Let's say for the sake for the argument  
21 you took out the descriptor "very small" when you're  
22 describing the costs.

23 You would very well expect to see  
24 different responses?

25 MR. ANDREW ENNS: If you change the

1 definition in a -- in a material way, and there's been  
2 suggestions about adding references to \$74 million losses  
3 or -- or whatnot, I believe you start to change -- you  
4 would start to change the -- the view of -- potentially  
5 change the view of participants. You can't say for  
6 certain but you would -- you would definitely run that --  
7 run that possibility.

8 MR. ERIC HOAKEN: Right.

9 THE CHAIRPERSON: Mr. Hoaken, is this a  
10 good time to have a short break?

11 MR. ERIC HOAKEN: Yes, thank you. I'm  
12 probably about twenty (20) minutes away from completing,  
13 Mr. Chair.

14 THE CHAIRPERSON: Oh, very good, sir.  
15 Okay. Well, let's have our break now.

16 MR. ERIC HOAKEN: Thank you.

17

18 --- Upon recessing at 10:31 a.m.

19 --- Upon Resuming at 10:55 a.m.

20

21 THE CHAIRPERSON: Okay, Mr. Hoaken.

22 MR. ERIC HOAKEN: All right. Thank you,  
23 Mr. Chair.

24

25 CONTINUED BY MR. ERIC HOAKEN:



1                   MR. ERIC HOAKEN:    I think we're in the  
2 home stretch here, Mr. Enns.  Could you turn to page 41  
3 of the Customer Research Report which is at Tab 1 of that  
4 brief?

5                   And it's a small point.  Just look at Tab  
6 -- or, excuse me, Table 20 on page 41.  I confess I've  
7 tried to understand this but the -- the title you've got  
8 on it, am I right that that title -- and maybe you said  
9 this already and I missed it but that title doesn't  
10 really describe what's going on in this table, does it?

11                  MR. ANDREW ENNS:    You could be right.

12                  MR. ERIC HOAKEN:    Gee, I should stop  
13 there when you give an answer like that.

14                  MR. ANDREW ENNS:    Yeah, I mean because,  
15 you know, it could well be a copyover from 19, Mr.  
16 Hoaken, and that could be a valid -- because you're --  
17 you're right.  It really doesn't -- doesn't tie in and  
18 it's probably something that's been missed by no doubt  
19 the numerous eyes.  And give you credit, there's been a  
20 lot of eyes in the last month probably going through this  
21 and no one has flagged it yet.  So I would say it's  
22 probably an error in that part, yeah.

23                  MR. ERIC HOAKEN:    All right.  Thank you  
24 for saying that in the presence of my client, I  
25 appreciate it.

1                   Turning to 21B -- Table 21B. You told Ms.  
2 Murphy early in your examination that the sample sizes  
3 referenced in this table are incorrect, right?

4                   MR. ANDREW ENNS:     That's right.

5                   MR. ERIC HOAKEN:     And so I think you'll  
6 agree with me it follows that the lead-in statement you  
7 make just above 21B, that's also no longer a valid or  
8 accurate statement; is that fair?

9                   MR. ANDREW ENNS:     Exactly. That would  
10 have to change as well just to reflect that it was the --  
11 tied back to the sample in the original.

12                   MR. ERIC HOAKEN:     Right. And then when  
13 we look at the significant findings you've got under the  
14 table, if we look at the first one, for example, you say,  
15                   "Hydro customers who believe they do  
16                   not benefit from competition,"  
17 you say 78 percent. That's not 78 percent of the whole  
18 sample, is that 78 percent of the sub-sample, if I can  
19 call it that?

20                   MR. ANDREW ENNS:     It's the sample that  
21 would have been asked that question. It ties -- it's  
22 directly related to that table.

23                   MR. ERIC HOAKEN:     And given that we're  
24 now talking about a smaller sample, is that still a  
25 quote/unquote "significant finding" in a --

1 MR. ANDREW ENNS: Yeah --

2 MR. ERIC HOAKEN: -- statistical sense?

3 MR. ANDREW ENNS: Yes, it would be.

4 MR. ERIC HOAKEN: With a higher margin of  
5 error, though, given the smaller sample size?

6 MR. ANDREW ENNS: The -- the -- the  
7 margin of error would -- would tie to the results in the  
8 table. The -- in terms of the 69 and 26 percent, there's  
9 a slightly higher margin of error. I don't have it off  
10 the top of my head but it would be reflective of the  
11 actual sample size and I need to find what those numbers  
12 are.

13 The significance -- the findings  
14 underneath the table are still significant at that 95th  
15 percentile, based on the sample provided. So there's not  
16 a direct sort of margin of error equation with those --  
17 with those points.

18 MR. ERIC HOAKEN: But all of the  
19 significant findings then, in that list, they all, in  
20 your opinion, are still significant, it's just that we're  
21 talking about those percentages you've expressed as a  
22 percentage of the sub-sample not the whole sample?

23 MR. ANDREW ENNS: That's correct. That's  
24 correct.

25 MR. ERIC HOAKEN: Turn, if you will, to

1 page 48 of the report and I want you to look at Table 29.  
2 And this was, as I understand it, an open-ended question.

3 MR. ANDREW ENNS: That's correct.

4 MR. ERIC HOAKEN: And there were no sorts  
5 of restrictions or limitations put on the length of the  
6 answer; is that fair?

7 MR. ANDREW ENNS: That's correct.

8 MR. ERIC HOAKEN: And just so I  
9 understand it, were respondents able to give more than  
10 one (1) answer?

11 MR. ANDREW ENNS: Respondents were probed  
12 for is there any -- were there any other reasons and  
13 that's how the multiple mention. So in some -- in some  
14 responses what would have happened, someone would have  
15 said potentially I wanted to save money and it helps me  
16 smooth out -- it helps me budget and smooth out my, you  
17 know, my -- my monthly bills. So those would have been  
18 coded as two (2) distinct responses.

19 MR. ERIC HOAKEN: I see. And so that's  
20 the significance of the multiple mention reference you  
21 have there?

22 MR. ANDREW ENNS: Correct.

23 MR. ERIC HOAKEN: Okay. And then just so  
24 I understand the process of coding. You and your team  
25 attempt to group responses that have a common theme or

1 element into one (1) group or category; is that fair?

2 MR. ANDREW ENNS: That's correct.

3 We'll review -- we'll go through the  
4 responses just reading them through -- probably not all  
5 of them, probably about a third to a half -- and we'll  
6 just on a -- nothing very scientific about this - may be  
7 telling secrets - but just on a -- on a paper, tracking  
8 what you're seeing are common response themes, and then  
9 we'll go back and we'll look.

10 And sometimes you may roll up a theme if  
11 you find you've noted down something that's very similar  
12 and can be combined. And then from that, that's our code  
13 list and from that then we code -- go through and code  
14 each individual response by -- usually in Excel,  
15 providing a numeric.

16 And in this case, we would have a first  
17 code and then there would be a column where there would  
18 be another code and another code. In this case, I think  
19 we coded up to three (3) different mentions in a one (1)  
20 singular -- single answer.

21 MR. ERIC HOAKEN: All right. So once  
22 you'd gone through that initial exercise, you identified  
23 the categories that are set out in Table 29, and you then  
24 would review the responses and code them to put them in  
25 one or more of these categories; is that fair?

1 MR. ANDREW ENNS: Correct.

2 MR. ERIC HOAKEN: And so if -- if  
3 somebody said something like if commodity prices go up, I  
4 will save money, that would be coded as quote/unquote  
5 "save money"?

6 MR. ANDREW ENNS: Yeah, I would -- it  
7 like -- it would have been coded as a save money code.

8 MR. ERIC HOAKEN: Right. And if somebody  
9 said if commodity prices go up, I may save money, that  
10 also would be coded as a save money?

11 MR. ANDREW ENNS: Yeah, I think we talked  
12 about that. I didn't -- I -- we wouldn't have  
13 distinguished between the "may," the "could," the "I  
14 wills," for sure.

15 MR. ERIC HOAKEN: Right, so there's a  
16 full range of possible responses that fall into this, is  
17 that fair?

18 MR. ANDREW ENNS: Responses that relate  
19 to saving money, yes, in terms of the "coulds" or  
20 "woulds," yeah.

21 MR. ERIC HOAKEN: Right, "actually," or  
22 "potentially," or "possibly," all of those things get  
23 lumped into quote, unquote, "save money," is it fair?

24 MR. ANDREW ENNS: That would be fair.

25 MR. ERIC HOAKEN: Turn, if you will, to

1 table 31 on page 49. And as I understand it, this is a  
2 subset of the overall sample of marketer customers,  
3 right?

4 MR. ANDREW ENNS: That's right.

5 MR. ERIC HOAKEN: And what you've done,  
6 if I understand it correctly, is you've asked only those  
7 marketer customers who've told you they did not sign up  
8 through door to door, you've asked only them how they  
9 would rate their level of satisfaction with the initial  
10 signing-up experience, is that right?

11 MR. ANDREW ENNS: That's correct.

12 MR. ERIC HOAKEN: And can you just help  
13 us understand because we've had some discussion in this  
14 proceeding about the level of satisfaction with the sign-  
15 up process itself.

16 Can you just help us understand why you  
17 didn't ask that question of people who had signed up  
18 through the door-to-door method?

19 MR. ANDREW ENNS: My -- my recollection  
20 was that we have a series of questions following this  
21 with respect to the door -- the specific attributes of  
22 the door to door. My recollection was that that -- it  
23 was felt that that's what we would look at and not -- and  
24 this question would be on the alternative sign-up method.

25 That was my -- early on in the discussion,

1 I believe that's why we inserted that -- that skip there  
2 in the -- in the questionnaire.

3 MR. ERIC HOAKEN: All right, but you'll -  
4 - you'll agree with me that the subsequent questions that  
5 you've asked about mark -- or of marketer customers about  
6 the level of satisfaction, they're not as specific as the  
7 question you've referenced in 31?

8 MR. ANDREW ENNS: No, they're not, no,  
9 they're not. I would agree with that.

10 MR. ERIC HOAKEN: And look, if you will,  
11 at table 32 on page 49. The -- the question is,

12 "Has your household ever been  
13 approached by a natural gas marketer at  
14 the door?"

15 right?

16 MR. ANDREW ENNS: Correct.

17 MR. ERIC HOAKEN: And so you're not  
18 putting any time frame or limitation on it, is that  
19 right?

20 MR. ANDREW ENNS: No, we're not.

21 MR. ERIC HOAKEN: And so those answering  
22 ES may in fact have had their encounter some time ago;  
23 three (3) years ago, five (5) years ago, maybe longer,  
24 right?

25 MR. ANDREW ENNS: Possibly, yes.



1 MR. ERIC HOAKEN: Yes, because in fact,  
2 when you look at the marketer customers, you've asked  
3 them how long they've been with their marketer and some  
4 of them have been with their supplier that long.

5 MR. ANDREW ENNS: Some have been with  
6 them for quite awhile, yes.

7 MR. ERIC HOAKEN: And --

8 MR. ANDREW ENNS: Although I guess it  
9 doesn't preclude being approached again, even if you are  
10 with a marketer or by other companies; I'm not sure.

11 MR. ERIC HOAKEN: I -- I completely agree  
12 with you --

13 MR. ANDREW ENNS: Yeah.

14 MR. ERIC HOAKEN: -- but the thing is --

15 MR. ANDREW ENNS: No, you're right.

16 MR. ERIC HOAKEN: -- that you may be  
17 getting responses from people whose encounter has been  
18 some time in the past.

19 MR. ANDREW ENNS: That's possible, yes.

20 MR. ERIC HOAKEN: And so people are  
21 answering this question then based on an encounter that  
22 may have been three (3) years ago or five (5) years ago  
23 and in the case of people who said they weren't  
24 interested, it may have been an encounter that lasted no  
25 longer than a minute, right?

1                   MR. ANDREW ENNS:    We're -- we're starting  
2 to get into down -- down speculation, but I guess there's  
3 all kinds of different scenarios that could be possible.  
4 We didn't -- we didn't quantify when -- when the contact  
5 -- when -- when the door-to-door contact happened and we  
6 didn't quan -- quantify how long the contact lasted, so  
7 certainly it -- it's open to -- to a range.

8                   MR. ERIC HOAKEN:    Right, and you -- you  
9 told me earlier this morning you were thinking about why  
10 you dealt with the residential guide in the focus groups,  
11 rather than the survey, and the answer, you said, was you  
12 were concerned about the limitations on people's  
13 recollection.

14                   MR. ANDREW ENNS:    Right.

15                   MR. ERIC HOAKEN:    Wouldn't that same  
16 consideration apply here?

17                   MR. ANDREW ENNS:    I think that -- there -  
18 - there's a bit more of a physical -- when you have a  
19 physical contact, there's a bit more ability to recall  
20 that.

21                   MR. ERIC HOAKEN:    Even if it happened  
22 five (5) years ago?

23                   MR. ANDREW ENNS:    If the person recalls  
24 it happening. We're not -- if they say they don't know  
25 or -- or if it didn't happen, then we're not pursuing

1 that person, so people say they recall it happening. And  
2 then we ask them -- we prompt them with a series of -- of  
3 descriptions of the -- how they felt it went or how --  
4 descriptions of -- of the contact itself and whether or  
5 not they agreed that it -- that this was the case in  
6 their sense.

7                   People have the option of -- of, you know,  
8 I don't recall or I don't know, so I don't -- I think  
9 it's a little bit different, I mean, and in the  
10 communications material, a very specific piece of  
11 material and, again, delivered in a manner that there's -  
12 - there's a fair amount of research that indicates that  
13 it's pretty difficult to get -- to generate awareness at  
14 the best of times, so it's a slightly different  
15 situation.

16                   MR. ERIC HOAKEN: But it's still -- you'd  
17 have to agree with me, it's still a potential issue that  
18 people are answering questions based on a recollection  
19 that may be stale or not completely accurate.

20                   MR. ANDREW ENNS: I mean not completely  
21 accurate, if -- if that's what they think happened. I'm  
22 not sure I'd -- I'd -- I'd say that's -- that's an  
23 inaccurate response on their part.

24                   If that's what they believe was to be the  
25 case and people -- if people feel they -- they can't

1 remember, our experience is that your 'don't know' rates  
2 will go higher and -- and that will be reflected.

3 MR. ERIC HOAKEN: Right.

4 MR. ANDREW ENNS: And so --

5 MR. ERIC HOAKEN: But -- but here I guess  
6 when you look at table 33 though, you're not asking them  
7 open-ended questions that put them on the spot.

8 MR. ANDREW ENNS: No.

9 MR. ERIC HOAKEN: You're putting specific  
10 propositions to them, right?

11 MR. ANDREW ENNS: That's -- I'm -- I'm  
12 describing a situation and asking them whether or not it  
13 -- in their situation from what they recall was this --  
14 do you agree or disagree that this was the case?

15 MR. ERIC HOAKEN: And -- and it's easier  
16 with those questions to fudge it than it is if you're  
17 asking an open-ended question. Because if someone really  
18 doesn't know, they can't fake that.

19 But on the other hand if you're putting a  
20 specific proposition to them, they can "yes" or "no"  
21 pretty easily.

22 MR. ANDREW ENNS: I kind of disagree with  
23 that 'fudge it'. I mean I -- I think people quite  
24 frankly and it's our experience in -- in the business  
25 that if people don't know, you'll see that in the results

1 by a -- by a -- by a higher -- a higher level of -- of  
2 'don't know' responses.

3 And -- and -- when people respond to a  
4 situation described, I don't believe that they're --  
5 they're going to make up a response -- make up a response  
6 to it.

7 MR. ERIC HOAKEN: All right. But I think  
8 what you're saying is it's at least potentially an issue  
9 that by the time --

10 MS. MARLA MURPHY: Mr. Chairman. The  
11 witness has actually spoken to that question now I think  
12 on two (2) occasions and -- and I suggest that his answer  
13 is clear on the record.

14 MR. ERIC HOAKEN: Well it's interesting,  
15 My Friend objected before she even heard my question, so,  
16 it's hard to understand how she can do that.

17 Perhaps I could be shown the courtesy of  
18 asking my question first and if she has the same  
19 objection she can raise it.

20 THE CHAIRPERSON: Well we'll determine  
21 whether she's prophetic or not. Go ahead.

22

23 CONTINUED BY MR. ERIC HOAKEN:

24 MR. ERIC HOAKEN: That potential concern,  
25 though, about people's recollections being stale or five

1 (5) or three (3) years old or however long could be  
2 addressed.

3 I'm -- I'm not being critical but it could  
4 be addressed if the question on the survey said something  
5 like 'Have you in the last six (6) months or in the last  
6 twelve (12) months been approached?'

7 MR. ANDREW ENNS: That would have been  
8 one approach that could have been taken and we could  
9 have, you know, had that time issue as you illustrated.

10 MR. ERIC HOAKEN: All right. Thank you.  
11 So much for Ms. Murphy's prophetic abilities.

12 Now turn, if you will, to the executive  
13 summary of the customer research report. And this is I  
14 think fairly non controversial at this point but the  
15 purpose of the executive summary is to point out things  
16 that are important.

17 MR. ANDREW ENNS: Provide -- point out  
18 things that are important and try to summarize the  
19 findings in the report for a quicker read than going  
20 through the fifty (50) pages.

21 MR. ERIC HOAKEN: Right. Because some  
22 people just like your approach to the PUB decision in  
23 this case, they don't read the whole thing, they look at  
24 the parts that are important to them.

25 MR. ANDREW ENNS: And hopefully someone's

1 pointed those out, yes.

2 MR. ERIC HOAKEN: Right. And that's the  
3 purpose, that's my point, that's the purpose of the  
4 executive summary.

5 MR. ANDREW ENNS: Yes.

6 MR. ERIC HOAKEN: And you did not say  
7 anything in the executive summary about customers'  
8 tolerance for volatility.

9 Is that because you didn't think there  
10 were any important or note -- or excuse me, noteworthy  
11 findings? At least I should say, I don't believe you  
12 did. You can take a look and tell me if I'm wrong about  
13 that.

14 MR. ANDREW ENNS: Well -- now in terms of  
15 the exec summary, there's -- there's -- I think it's  
16 important to maybe distinguished, there's -- there's two  
17 (2) sections.

18 There's sort of the key discoveries and  
19 conclusions and maybe that's what you're referring to.

20 MR. ERIC HOAKEN: Yes, it is and I'm  
21 sorry I should have told you that.

22 MR. ANDREW ENNS: Yeah. And then there  
23 is in terms of the billing and pricing attitudes on page  
24 5 which -- which I do consider still sort of part and  
25 parcel of -- there is -- there is a discussion.

1                   Yeah, I didn't -- I didn't draw that out  
2 in the -- as a point. I honestly -- I -- I can't really  
3 tell you why or why not. I mean, I do -- I do think it's  
4 not a -- it's part of the objective and it isn't part of  
5 the -- it is part of the executive summary in my -- my  
6 view.

7                   It just didn't make it into one of the --  
8 the thirteen (13) points that I ended up highlighting  
9 there.

10                   MR. ERIC HOAKEN:    So is it fair to infer  
11 from that that it wasn't as important a finding to you as  
12 some of the others that you've listed here?

13                   MR. ANDREW ENNS:    I wouldn't say it's not  
14 a -- it's not -- not important. I guess, was it a key  
15 discovery and conclusion? I -- I would suggest that in  
16 my -- my view it wasn't sort of a key discovery and --  
17 and a conclusion I guess --

18                   MR. ERIC HOAKEN:    Okay.

19                   MR. ANDREW ENNS:    -- would be how I --  
20 how to interpret that.

21                   MR. ERIC HOAKEN:    Now, if you look at  
22 Point 3 on your key discoveries and conclusions, this is  
23 a reference I take it to the findings that are set out on  
24 page 32 in --

25                   MR. ANDREW ENNS:    Right.



1 MR. ERIC HOAKEN: -- Table 10; is that  
2 right?

3 MR. ANDREW ENNS: The -- the series of  
4 questions regarding -- yes.

5 MR. ERIC HOAKEN: Yeah, and --

6 MR. ANDREW ENNS: There is -- Table 10  
7 and 11 I think it is.

8 MR. ERIC HOAKEN: Oh, okay. Fair enough.  
9 But this is an attempt on your part to capture what you  
10 perceive to be the willingness of consumers to pay for  
11 having competition in the marketplace; is that right?

12 MR. ANDREW ENNS: Correct.

13 MR. ERIC HOAKEN: And just help me  
14 understand why you have not drawn attention to the fact  
15 that more customers than not were willing to pay a  
16 premium to have competition in the marketplace; because  
17 that's how I read Table 10 when you add up the numbers.

18 MR. ANDREW ENNS: Well, I mean, Table --  
19 Table 10 is -- is -- I mean, if you add up the numbers 44  
20 percent said they weren't willing to pay anything.

21 MR. ERIC HOAKEN: And 50 percent said  
22 they were.

23 MR. ANDREW ENNS: And -- and 8 percent  
24 didn't know and so it's -- it's 52 -- I mean, when you  
25 take that into account it's -- it's sort of 48 percent

1 have said, yeah, I'd be willing to pay.

2                   So I guess that was my -- my point of --  
3 of saying sort of mixed views that -- that it's -- that  
4 it's -- it's really not -- I mean, there was a  
5 significant portion that don't want to pay anything and  
6 there's a significant portion that -- there's a large  
7 portion -- I don't want to mess up terms here but there's  
8 a large portion that -- that don't.

9                   I used the term "mixed views" again  
10 looking to be -- just to basically tell the reader of  
11 that, that there's no clear -- there's no clear  
12 conclusion with respect to the -- the views of customers  
13 on that particular point.

14                   MR. ERIC HOAKEN: All right. Looking at  
15 Point 6 in this same list, Mr. Enns, that -- I take it  
16 you'll agree with me that's no longer an accurate  
17 conclusion?

18                   MR. ANDREW ENNS: Well, you're referring  
19 back to the fact that in the table there's the -- the "N"  
20 size is a bit different.

21                   MR. ERIC HOAKEN: Yes.

22                   MR. ANDREW ENNS: I -- I don't believe  
23 it's an inaccurate conclusion in the sense that people  
24 who support a particular product still support that --  
25 still support that product. I mean --

1 MR. ERIC HOAKEN: Let's take it word by  
2 word --

3 MR. ANDREW ENNS: All right.

4 MR. ERIC HOAKEN: -- because I think this  
5 is important. What you say in the second sentence of  
6 this paragraph is you say "a strong majority."

7 And so a reader would take that to be a  
8 strong majority of the respondents you sampled in the  
9 survey, right?

10 MR. ANDREW ENNS: Right. In fact it's --  
11 I need to go back. It's a strong majority of about five  
12 hundred and twenty (520) -- different -- different  
13 numbers for different -- I think it's on the record  
14 somewhere.

15 MR. ERIC HOAKEN: I think it is. Let me  
16 just find the table for you. It's Table 21B I believe.

17

18 (BRIEF PAUSE)

19

20 MR. ERIC HOAKEN: Yeah, it's on page 42.

21 MR. ANDREW ENNS: So four forty-seven  
22 (447), right.

23 MR. ERIC HOAKEN: So it's --

24 MR. ANDREW ENNS: So what would be  
25 necessary in there would be to -- to just -- a note in

1 there in terms of a strong majority that prefer a  
2 particular product, to reference the fact that it wasn't  
3 the full sample.

4 MR. ERIC HOAKEN: Right. Because as it  
5 reads now, a reader would be misled into thinking that a  
6 strong majority of all of those you canvassed had this  
7 view and that's not the case, right?

8 MR. ANDREW ENNS: Correct.

9 MR. ERIC HOAKEN: And in fact even if you  
10 were going to make the change that you're suggesting,  
11 you'd still have to make reference to the fact that this  
12 is a key finding that relates only to a subset of the  
13 sample and, therefore, is subject to different  
14 considerations in terms of margin of error?

15 MR. ANDREW ENNS: I think you'd -- you'd  
16 reference that it's a subsample, yes.

17 MR. ERIC HOAKEN: Right. And you say --  
18 in the first sentence of paragraph 6 you say:

19 "The desire among consumers for  
20 additional products from Manitoba Hydro  
21 appears to transcend the aforementioned  
22 opinion that a competitive market for  
23 natural gas purchase in Manitoba is a  
24 good thing."

25 And that's simply not a conclusion that

1 you can express any more in view of this being a smaller  
2 size sample, right?

3 MR. ANDREW ENNS: Well, I -- I don't that  
4 conclusion's putting any specific size but there  
5 certainly is people who on -- in one question responded  
6 saying that they benefited from competition from having  
7 choice in the -- I think the wording was 'choice in the  
8 market,' competing choices.

9 And we've now positioned to a sub sample  
10 of that -- of those -- of those individuals. Basically a  
11 situation saying that,

12 "Would you still support a hydro  
13 product offering even if it meant less  
14 competition."

15 and they say 'yes'.

16 So there certainly is some -- some shift  
17 in -- in views with respect to that -- that earlier  
18 position.

19 MR. ERIC HOAKEN: But with the smaller  
20 proportionate response --

21 MR. ANDREW ENNS: Right.

22 MR. ERIC HOAKEN: -- we don't need to  
23 transcend really, do we?

24 MR. ANDREW ENNS: The -- well, I guess we  
25 can -- we can argue over terminology but --

1 MR. ERIC HOAKEN: Well, I think it's  
2 important --

3 MR. ANDREW ENNS: -- I think the -- the  
4 first sentence I don't think is -- is a problem. I think  
5 it's -- I think the first sentence is an -- it's an  
6 important statement to say that we had 'X' amount -- we  
7 had a -- we had people saying earlier that they benefited  
8 from -- from having competing choices.

9 And -- and then when we -- through a  
10 series of questions put forward a situation where if you  
11 had this product but it meant less com -- but it meant  
12 potentially less competition, how would you feel?

13 And I think it is important -- important  
14 finding to -- to understand that some people are -- are  
15 now suggesting that they'd be willing to -- to accept  
16 that product even if it meant less competition.

17 MR. ERIC HOAKEN: All right. But the  
18 premise underlying the question is, as you just said,  
19 that it could potentially lead to less competition.

20 You didn't ask people what their views  
21 would be if this would mean no competition, right?

22 MR. ANDREW ENNS: Yeah, I -- I agree with  
23 you probably have the question -- it wasn't a categoric,  
24 it was potentially. I don't think we -- or ultimately --

25 MR. ERIC HOAKEN: Well you say

1                   "Even if it could mean ultimately less  
2                   competition."

3                   MR. ANDREW ENNS:    That's right.  Right.

4                   MR. ERIC HOAKEN:     So --

5                   MR. ANDREW ENNS:     We -- we weren't  
6                   categoric.  You're -- you're correct.

7                   MR. ERIC HOAKEN:     Right.  And had you  
8                   posed that as a followup question to -- to say, well, if  
9                   it means that there will be no competition or maybe no  
10                  competition, you'd expect that you would have gotten  
11                  different responses as well?

12                  MR. ANDREW ENNS:    It would be a different  
13                  question.

14                  MR. ERIC HOAKEN:    And you would likely  
15                  get a different answer?

16                  MR. ANDREW ENNS:    You -- you can't  
17                  speculate what the answer's going to be but I -- but it  
18                  would be a different question, therefore, you couldn't  
19                  assume that you're going to get the same -- you're going  
20                  to get the same result or the same percentages for sure.

21                  MR. ERIC HOAKEN:    But you -- you've got a  
22                  population that you've just ascertained that they value  
23                  competition, right?

24                  MR. ANDREW ENNS:    Right.

25                  MR. ERIC HOAKEN:    So is it really a

1 stretch, Mr. Enns, to suggest that if you tell people  
2 that this is going to lead to no competition that they're  
3 not going to find that to be a desirable outcome?

4 MR. ANDREW ENNS: It would be an  
5 interesting study to run both questions and see the  
6 difference. I mean, I -- I don't think that we are  
7 necessarily misleading with the question in terms the way  
8 it was current -- the way it was currently worded.

9 Ultimately, it could mean the less  
10 competition. People understood that to mean I think what  
11 it said. I do grant you, that if we would've rephrased  
12 it and said, if 'X' -- there's going to be no  
13 competition, it's a different question and then the  
14 results, in a sense, could be different.

15 MR. ERIC HOAKEN: All right. Thank you,  
16 those are my questions.

17 THE CHAIRPERSON: Thank you, Mr. Hoaken.  
18 Ms. Murphy, do you have any re-direct for  
19 Mr. Enns.

20 MS. MARLA MURPHY: No, I don't.

21

22 (WITNESS STANDS DOWN)

23

24 THE CHAIRPERSON: Okay, thank you, Mr.  
25 Enns. Appreciate your testimony and responses.



1                   Now we'll move on to Centra's witness  
2 Panel. Ms. Murphy, do you want to bring them forward?

3                   MS. MARLA MURPHY:   Certainly.

4                   THE CHAIRPERSON:   Okay, let's take five  
5 (5) minutes while we sort this out.

6

7                                   (BRIEF PAUSE)

8

9                   THE CHAIRPERSON:   Okay, we might as well  
10 start before the lunch break.

11                   MS. MARLA MURPHY:   Okay, thank you, Mr.  
12 Chairman. If I can just take a moment to introduce the  
13 panel now before you.

14                   To my immediate right is Mr. Vince Warden;  
15 he's the Vice-President in Finance Administration and  
16 Chief Financial Officer for Centra. To Mr. Warden's  
17 right is Mr. Howard Stephens, who is Division Manager of  
18 Gas Supply. We have Mr. Greg Barnlund who is the Manager  
19 of Rates and Regulatory Affairs Customer Policy. Then  
20 Mr. Robin Wiens, who is Division Manager of Rates and  
21 Regulatory Affairs. And finally, Mr. Lloyd Kuczek, who  
22 is the Division Manager of Consumer Marketing and Sales.

23                   I'm prepared to have the panel sworn, if  
24 Mr. Gaudreau is available?

25                   THE CHAIRPERSON:   He's bounding up.

1 CENTRA PANEL:

2 VINCE WARDEN, Sworn

3 HOWARD STEPHENS, Sworn

4 ROBIN WIENS, Sworn

5 GREG BARNLUND, Sworn

6 LLOYD KUCZEK, Sworn

7

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

9 MS. MARLA MURPHY: Mr. Chairman, I might  
10 just indicate for the record, that the witness  
11 qualifications of Mr. Warden, Stephens, Barnlund, Wiens,  
12 and Kuczek were filed yesterday and have been assigned  
13 Centra Exhibit Numbers 3-1 through 3-5. Those --

14 THE CHAIRPERSON: Very good.

15

16 CONTINUED BY MS. MARLA MURPHY:

17 MS. MARLA MURPHY: -- those  
18 qualifications set out the positions of the panel member,  
19 their experience and adoption of the evidence. Mr.  
20 Warden is going to give the direct evidence on behalf of  
21 the Centra panel in its entirety.

22 So, Mr. Warden, could you please add --  
23 address the issues identified by the PUB in its notice in  
24 respect of this proceeding.

25 MR. VINCE WARDEN: Yes, good morning, Mr.

1 Chair, members of the Board, ladies and gentlemen. I  
2 would like to begin by saying that Centra welcomes this  
3 opportunity to speak to the Board and other participants  
4 to this proceeding about a series of issues of importance  
5 to the future direction of natural gas supply in  
6 Manitoba.

7                   The Board has identified eleven (11) of  
8 these issues in its public notice, and I would like to  
9 briefly summarize Centra's position on each of these  
10 issues.

11                   The first issue is, quote:

12                   "The potential abandonment by Centra of  
13 hedging for its current system gas  
14 offering, with possible amendments to  
15 the rate-setting mechanism to mitigate  
16 the effect of leaving hedging."

17                   Unquote.

18                   In considering whether Centra should  
19 abandon hedging, a key question is whether or not  
20 Centra's hedging program has met its stated objective of  
21 mitigating natural gas volatility, on behalf of its  
22 customers.

23                   On this the evidence is indisputable. As  
24 filed in previous cost of gas proceedings, rate  
25 volatility has been reduced by between 30 percent to 53

1 percent in each of the approximately six (6) years that  
2 the hedging program has been in place.

3 Gas prices are highly volatile; more --  
4 more volatile than any other traded commodity in the  
5 world, and Centra's customers have been shielded from  
6 this volatility to a very large extent.

7 Another question that must be asked,  
8 however, is whether Centra's objective of mitigating  
9 natural gas volatility is totally consistent with its  
10 mandate, which is in part to supply natural gas in the  
11 most cost effective manner.

12 As the events of the past eighteen (18)  
13 months have clearly demonstrated natural gas prices can  
14 fall precipitously, and with Centra's derivative hedging  
15 methodology, relatively high prices can be locked in for  
16 a period of time. While we always recognize that this  
17 situation could occur, the timing and extent of price  
18 declines could not be foreseen, just as we cannot foresee  
19 when the next price spike will occur.

20 On this basis, Centra's position with  
21 respect to hedging is that it should be -- should not be  
22 abandoned at this time. However, Centra will continue to  
23 closely monitor the derivatives hedging program's  
24 performance and will bring recommended changes to this  
25 Board, should it be determined that such changes are in

1 the best interest of Centra's customers.

2 The second issue identified by the Board  
3 was, quote:

4 "The establishment of the Equal Payment  
5 Plan as the default condition with  
6 respect to system gas customers."

7 Unquote.

8 Centra is not in favour of establishing  
9 the Equal Payment Plan as the default condition. While  
10 there would certainly be benefits associated with having  
11 all customers on the Equal Payment Plan, we believe that  
12 placing them on the plan without their explicit consent  
13 would be a violation of our customer's fundamental right  
14 to choose the payment option that best fits their  
15 circumstances.

16 We already have approximately 40 percent  
17 of gas customers on the Equal Payment Plan, and it would  
18 be an unnecessary imposition on the remaining 60 percent  
19 of customers to require them to tell us that they're --  
20 if they're not interested in remaining on the plan. And  
21 I expect that some of them may not tell us that politely.

22 This may be an opportune time to insert a  
23 bit of a commercial, in case you missed it. In a recent  
24 national survey of utility residential customers, J.D.  
25 Power and Associates ranked Manitoba Hydro highest



1 product offering. Almost two-thirds  
2 (2/3s) of Manitoba Hydro's residential  
3 customers and three-quarters (3/4s) of  
4 marketer residential customers say they  
5 would like to see Manitoba Hydro offer  
6 more than one (1) natural gas plan to  
7 customers."

8 Issue number 4 was, quote:

9 "Amendment to Centra's supply  
10 arrangements to facilitate improved  
11 broker services." Unquote.

12 Overall, Centra has an excellent working  
13 relationship with brokers in Manitoba, and we are  
14 certainly willing to do everything possible to maintain  
15 that relationship. Centra has recently implemented  
16 changes to its supply contract to permit more frequent  
17 enrollment of customers by brokers, and is willing to  
18 consider further improvements to brokerage service,  
19 provided that there are no negative impacts on system-  
20 supplied customers.

21 Issue number 5 was, quote:

22 "The allocation of Centra's costs  
23 associated with the operations of  
24 natural gas brokers to brokers."  
25 Unquote.

1                   Centra is of the view that it should be  
2 allowed to recover the clearly identifiable costs  
3 associated with administering a direct purchase function  
4 from the brokers to whom the service is provided.

5                   Centra is also seeking endorsement of its  
6 proposal to increase the agency billing and collection  
7 fee, the ABC Fee, from twenty-five (25) cents per  
8 customer, per month. Should Centra's proposal be  
9 endorsed, Centra will apply for approval of an increased  
10 ABC fee in conjunction with its next General Rate  
11 Application.

12                   Issue number 6 was, quote:

13                                 "Forecast implications of changes to  
14                                 the competitive gas landscape in  
15                                 Manitoba." Unquote.

16                   As stated in our filing to the PUB, Centra  
17 believes that it would be beneficial to customers for  
18 Centra to be permitted to offer service alternatives, in  
19 addition to its existing service offering. Permitting  
20 Centra to pursue a wider range of gas supply products  
21 will provide more choice to meet a wider variety of  
22 customer needs.

23                   Allowing Centra to offer alternative  
24 products will also make the marketplace more competitive,  
25 which should result in lower overall natural gas prices



1 to Manitoba consumers.

2 Issue number 7 was, quote:

3 "The nature and extent of competition  
4 in the natural gas market." Unquote.

5 Since the implementation of the Western  
6 Buy/Sell service in 1992, between 16 percent and 25  
7 percent of the customers have chosen a broker supply  
8 offering.

9 At the inception of Western Transportation  
10 Service in 2000, only one (1) marketer offered fixed  
11 price/ fixed term products to small volume customers. In  
12 2003, a second marketer entered the small volume  
13 residential marketplace.

14 Today, the two (2) marketers offer similar  
15 products, including three (3), four (4) and five (5) year  
16 terms, with one (1) of the marketers offering a seasonal  
17 price differential over a five (5) year term.

18 In its filing, Centra characterized this  
19 current small volume direct purchase market as few  
20 participating brokers, limited product choices, and  
21 limited information to assist customers in their  
22 decision-making process. Centra is of the view that if  
23 it is permitted to offer a variety of primary gas  
24 products from which customers may choose, the current  
25 market structure will be enhanced.

1 Issue number 8 is, quote:

2 "The terms and condition of fixed price  
3 contracts." Unquote.

4 As previously stated, the current fixed  
5 price contracts offered by brokers consist of three (3),  
6 four (4) and five (5) year terms, with some summer/winter  
7 differentials on five (5) year contracts.

8 Should Centra be allowed to enter the  
9 fixed price/fixed term marketplace, it is likely that we  
10 would be targeting a void that currently exists in  
11 contracts of one (1) or two (2) year durations.

12 However, no decision has been made at this  
13 time, as to the terms and conditions of any product  
14 offering by Centra. Our primary motivation in any  
15 product offering is to ensure that customers have choice  
16 and that they are fully informed of all the potential  
17 risks and benefits when making their product choices.

18 Issue number 9 identified by the Board is,  
19 quote:

20 "The marketing model and practises of  
21 the gas brokers." Unquote.

22 Centra's main concern, with respect to  
23 your broker and marketing practises, relates to per -- to  
24 the provision of sufficient information for a customer to  
25 make informed product choices.

1                   We don't believe that customers are  
2 receiving sufficient information today, and this is an  
3 issue that could be easily rectified through such means  
4 as providing customers with full information, as part of  
5 the confirmation letter, coupled with an appropriate  
6 cooling off period; the posting of comparative price  
7 offerings on an electronic bulletin board, or through  
8 regular price postings in the print media.

9                   Issue number 10 was, quote:

10                         "The rules and procedures for  
11                         enrollment, termination and switching  
12                         of suppliers." Unquote.

13                   Centra's new primary gas supply agreement  
14 with Nexen will facilitate more frequent mi -- migration  
15 of customers from system supply to broker supply through  
16 monthly, rather than quarterly adjustments, to the  
17 maximum daily quantity levels.

18                   This was an issue frequently raised by  
19 brokers in the past and the changes being introduced  
20 should result in an improved responsiveness to broker --  
21 in broker/customer relations.

22                   As previously stated, Centra has always  
23 demonstrated a willingness to work cooperatively with  
24 brokers to enhance customer service, provided that these  
25 enhancements do not come at the expense of system

1 supplied customers.

2 Finally, issue Number 11 identified by the  
3 Board is, quote:

4 "The code of conduct for gas brokers."

5 Unquote.

6 The current code of conduct for gas  
7 brokers provides a good standard of a business practice  
8 for direct purchase and primary gas sales transactions.

9 Well -- while the area of an enforcement  
10 could perhaps be stronger, Centra is not recommending any  
11 changes to the code of conduct at this time. Thank you.

12 MS. MARLA MURPHY: Thank you, Mr. Warden.

13 Mr. Chair, the panel is available for  
14 cross-examination and mindful of the hour and in your  
15 hands, in terms of whether you want to begin with that  
16 now or after the lunch break.

17 THE CHAIRPERSON: Mr. Peters, do you want  
18 to begin?

19 MR. BOB PETERS: Certainly. I'll take us  
20 to the lunch hour. Mr. Chairman, I'm almost envious of  
21 My Friend, Mr. Hoaken and the briefs that he's had marked  
22 as exhibits. I have been using a book of documents that  
23 I haven't marked as an exhibit yet. And my reason for  
24 not marketing -- marking it as an exhibit, at this --  
25 prior to now, is that there a couple of documents that

1 were not found in the filing of this proceeding, but  
2 rather they came from the General Rate Application.

3 I would ask, and Ms. Murphy may -- if  
4 anybody has any objections, I suspect it would her, but  
5 whether or not the book of documents could be marked as  
6 PUB Exhibit 9, with the expectation that her witnesses  
7 will confirm that documents number 2 and 3 in the book of  
8 doc -- in this book of documents, are in fact Centra's  
9 documents, albeit from the General Rate Application that  
10 was held a few months ago.

11 MS. MARLA MURPHY: We have no objection.

12 THE CHAIRPERSON: Okay, Mr. Peters,  
13 subject to checking out the number.

14 MR. BOB PETERS: All right, thank you,  
15 Mr. Chairman.

16

17 --- EXHIBIT NO. PUB-9: Book of documents

18

19 CROSS-EXAMINATION BY MR. BOB PETERS:

20 MR. BOB PETERS: Maybe to start with a  
21 few ground rules with the panel. As is common -- the  
22 case, my question will be directed to the panel, and the  
23 panel will, amongst themselves, decide who's going to  
24 answer it. If I do direct a question specifically to a  
25 named panel participant, that doesn't preclude somebody

1 else from also offering, or expanding the answer, or  
2 providing additional information to the Board.

3 Mr. Warden, you're familiar with that, are  
4 you?

5 MR. VINCE WARDEN: Yes, I am, Mr. Peters.

6 MR. BOB PETERS: And in these  
7 proceedings, as I notified the CAC/MSOS'S panel, if I  
8 refer to a retailer, a marketer, a broker, or an  
9 aggregator, I will use those words interchangeably; and  
10 you understand that to be a reasonable use of those  
11 words?

12 MR. VINCE WARDEN: We accept that, yes.

13 MR. BOB PETERS: All right. Mr.  
14 Stephens, a prior witness tried to date a few people in  
15 this room, going back to Order 15 of '98, and you have  
16 some familiarity with those proceedings; do you remember  
17 that?

18 MR. HOWARD STEPHENS: I do, sir.

19 MR. BOB PETERS: And would agree with me,  
20 Mr. Stephens, that back in the hearing leading up to  
21 Order, of this Board, 15 of '98, the parties saw  
22 impediments to the competitive marketplace in Manitoba?

23 MR. HOWARD STEPHENS: Certainly the  
24 services that we were providing to accommodate direct  
25 purchase were not -- were less than perfect, and -- but I

1 think the real trigger for the generic hearing at that  
2 time was the fact that Centra had arranged a direct sale  
3 to an industrial customer which was not in -- within the  
4 scope of our existing rate schedule.

5 And there was a great deal of concern over  
6 Centra being part and parcel of that process, and  
7 notwithstanding the fact that it was asked as a part of  
8 request for proposal to provide a price. And the  
9 customer benefited, as well as the remaining customers.

10 MR. BOB PETERS: And that, what you  
11 laterally refer to, Mr. Stephens, was the ability of a  
12 customer to purchase directly their own supply?

13 MR. HOWARD STEPHENS: That's correct.

14 MR. BOB PETERS: And then the -- the  
15 focus of Order 15/98 also looked to see what would be the  
16 options available to the residential customers in the SGS  
17 class

18 MR. HOWARD STEPHENS: That's correct.

19 MR. BOB PETERS: And one (1) of the  
20 impediments that you had mentioned was the way that  
21 direct purchase was being offered. And at that time it  
22 was being offered through what was called a buy/sell  
23 arrangement. Would that be correct?

24 MR. HOWARD STEPHENS: That's correct.

25 MR. BOB PETERS: Without getting into the

1 specifics of the pricing mechanism of the buy/sell, would  
2 you agree with me that when a retailer or a broker  
3 offered a customer primary gas, pursuant to a buy/sell  
4 arrangement, the price to be paid was a percentage of the  
5 price that was ultimately charged by Centra?

6 MR. HOWARD STEPHENS: I don't know that I  
7 would characterize it as a percentage. We don't really  
8 know what the agreement between the customer and the  
9 broker were in the -- that buy/sell mechanism.

10 What we did was charge the customer our  
11 existing sales rate. Paid the broker our existing WACOG  
12 and the difference -- the difference between those two  
13 (2) numbers, being our margin which protected the -- the  
14 rate of our customers. And then to the extent that the  
15 broker and the customer had come to an arrangement with  
16 respect to that, they could have provided them a  
17 percentage discount or a flat discount or some other  
18 means of rewarding them for becoming a part of that  
19 transaction.

20 MR. BOB PETERS: Would you agree that one  
21 of the problems with the pricing under that arrangement,  
22 was the transparency of the price to the consumer?

23 MR. HOWARD STEPHENS: As I just eluded to  
24 you, I mean there -- we had no indication as to pricing -  
25 - I mean, so there was no price transparency relative to



1 it.

2 MR. BOB PETERS: And one of the methods  
3 to perhaps introduce price transparency or remove an  
4 impediment to the competitive marketplace was to  
5 introduce the Western Transportation Service?

6 MR. HOWARD STEPHENS: That's correct.

7 MR. BOB PETERS: In addition to the WTS  
8 service, there was also a bill unbundling and the  
9 introduction of agency billing and collection services?

10 MR. HOWARD STEPHENS: That's correct.

11 MR. BOB PETERS: Mr. Stephens, was Centra  
12 permitted to offer a competitive product other than the  
13 default product, as a result of that hearing back in  
14 1996, '97 and '98?

15 MR. HOWARD STEPHENS: Although we had  
16 requested the -- the right to provide alternate service  
17 offerings, the Board's final decision was that we could  
18 only have one (1) service offering, and that -- that has  
19 prevailed until this time.

20 MR. BOB PETERS: Would it be correct, Mr.  
21 Stephens, to suggest that Centra's parent company was not  
22 precluded from offering more than one (1) service  
23 offering?

24 MR. HOWARD STEPHENS: Well, it's -- the  
25 parent didn't get directly involved in the marketplace,

1 but certainly through subsidiaries they had a presence in  
2 the marketplace and were providing offerings to  
3 customers.

4 MR. BOB PETERS: What you're telling the  
5 Board is that Centra's parent back then was Westcoast  
6 Energy?

7 MR. HOWARD STEPHENS: As I recall it,  
8 yes.

9 MR. BOB PETERS: And Westcoast Energy had  
10 some unregulated affiliate companies in the marketplace?

11 MR. HOWARD STEPHENS: That's correct.

12 MR. BOB PETERS: And those unregulated  
13 affiliate companies of Westcoast Energy were offering  
14 primary gas to consumers?

15 MR. HOWARD STEPHENS: That's corr -- well  
16 that...

17

18 (BRIEF PAUSE)

19

20 MR. HOWARD STEPHENS: They were a -- more  
21 in the secondary marketplace, sir. So they would be a  
22 counterpart on our part with -- for capacity management  
23 transactions and that sort of thing. They dealt more on  
24 the wholesale end of the business, as opposed to the  
25 primary sale of the business.

1                   MR. BOB PETERS:    Well, what you're  
2   telling the Board is that the parent company of Centra,  
3   back prior to 1999, was in the secondary market, that is,  
4   supplying local distribution companies with gas as a  
5   delivered service?

6                   MR. HOWARD STEPHENS:   Well, I wouldn't  
7   characterize it.  I mean, certainly that would be part  
8   and parcel of it but it would be part of our overall  
9   capacity-management program, where we would engage in  
10  various types of transactions to our mutual benefits.

11                  MR. BOB PETERS:    All right.  Let's come  
12  back to the point, though, that, to your knowledge, was  
13  West Coast Energy or any of their affiliates precluded as  
14  a result of Orders from this Board from entering into the  
15  non-regulated provision of primary gas directly to  
16  consumers?

17                  MR. HOWARD STEPHENS:    I would have to  
18  agree that that is the case.  They were certainly --  
19  anybody was in a position to enter the marketplace if  
20  they chose to.

21                  MR. BOB PETERS:    Anybody except the  
22  regulated entity, Centra?

23                  MR. HOWARD STEPHENS:    That's right.  And  
24  if we had any visions of entering the marketplace on the  
25  non-regulated side of the business would obviously be as

1 an affiliate.

2 MR. BOB PETERS: And what you're telling  
3 the Board is that Centra, itself, could have entered the  
4 retail business, or the brokerage business, of primary  
5 gas but if it did so it would have to be through an  
6 affiliate company?

7 MR. HOWARD STEPHENS: That's correct.

8 MR. BOB PETERS: That never has happened,  
9 has it?

10 MR. HOWARD STEPHENS: No, it hasn't.

11 MR. BOB PETERS: Can you indicate to the  
12 Board, Mr. Stephens, and I'm just not sure if Mr.  
13 Barnlund can -- can also add to this, but back -- and Mr.  
14 Barnlund wasn't dated like some of us in the room, Mr.  
15 Stephens, but, I wonder if you can explain to the Board  
16 what would be the considerations prior to 1999 as to why  
17 Centra would not have incorporated an affiliated company  
18 and marketed primary gas to residential customers?

19 Do you recall?

20

21 (BRIEF PAUSE)

22

23 MR. GREG BARNLUND: We had an affiliate  
24 under the name of Centra Energy Services that initially  
25 had a focus to provide services to customers along the

1 lines of water heater rentals, heating equipment  
2 financing, and a natural gas vehicle program.

3 But I'm not -- and I don't think we're  
4 aware of what the -- the plans were to offer a commodity  
5 offering through that particular subsidiary.

6 MR. BOB PETERS: I don't want to go too  
7 far down there, but thank you for recollecting that, Mr.  
8 Barnlund.

9 The water rental business, the natural gas  
10 vehicle program and the like, what has happened to those  
11 in the past decade, sir?

12 MR. GREG BARNLUND: Well, originally,  
13 Centra had proposed to provide those services within the  
14 regulated Utility itself, and I think that was probably  
15 back in the early 1990s.

16 Through a hearing in front of this Public  
17 Utilities Board, a decision was issued that ordered  
18 Centra, as the regulated Utility, to divest those --  
19 those business programs into an unregulated affiliate.

20 The unregulated affiliate focussed on  
21 delivering those programs. Eventually, I believe, it  
22 wound-down the natural gas vehicle program or the natural  
23 gas vehicle business. At some point in time, and I don't  
24 have the exact date of this, the assets, in terms of the  
25 water heater rentals and the equipment financing

1 contracts were sold to another party -- another energy  
2 service provider.

3 MR. BOB PETERS: Mr. Barnlund, do you  
4 recall that the services that Centra Energy Service was  
5 in the business of providing were services that were also  
6 available in the competitive marketplace?

7 MR. GREG BARNLUND: That's correct.

8 MR. BOB PETERS: And it wasn't -- and  
9 none of the services that Centra Energy Service was  
10 involved in was the provision of primary gas molecules to  
11 residential customers?

12 MR. GREG BARNLUND: That's correct.

13 MR. BOB PETERS: And, in fact, Centra  
14 Energy Services never did provide primary gas to any  
15 class of customer?

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

17 MR. BOB PETERS: In the book of  
18 documents, Mr. Kuczek, at Tab 2, is an answer that was  
19 reviewed with this Board at the General Rate Application  
20 held a few months ago, and this dealt with some of the  
21 demographics of your customer base, including numbers and  
22 volumes.

23 Do you recall this, sir?

24 MR. LLOYD KUCZEK: Yes.

25 MR. BOB PETERS: Mr. Kuczek, I believe

1 earlier on the transcript, I used your name just to  
2 reflect that my recollection of the transcript, I have it  
3 here as transcript page 666 from the GRA proceeding, you  
4 provided some corrections to PUB/CENTRA-13 attachment as  
5 found in tab 2 of what has now been marked as PUB Exhibit  
6 9, correct?

7 MR. LLOYD KUCZEK: Correct.

8 MR. BOB PETERS: And if we turn to --  
9 maybe ask it this way: Do you have an updated document  
10 that more accurately provides the information that's now  
11 depicted on PUB/CENTRA-13 from the General Rate  
12 Application?

13 MR. LLOYD KUCZEK: Not a document per se  
14 but there is a -- well, there is a document but it's --  
15 it's not in this form. But we have an updated load  
16 forecast which includes some of the information provided  
17 here.

18 MR. BOB PETERS: Could I ask you, through  
19 your counsel, to -- to file that as an undertaking if it  
20 will -- if it will provide the Board with more current  
21 information than is depicted here, Mr. Kuczek?

22 MS. MARLA MURPHY: Perhaps we could  
23 undertake to update the information that's in this table  
24 and provide it in a form similar to this one.

25 MR. BOB PETERS: I'm liking that even

1 better if Ms. Murphy can -- can assist the Board with --  
2 with that.

3 MS. MARLA MURPHY: We can do that.

4

5 --- UNDERTAKING NO. 1: Update with current  
6 information to PUB/CENTRA-13

7

8 CONTINUED BY MR. BOB PETERS:

9 MR. BOB PETERS: Mr. Kuczek -- thank you,  
10 Ms. Murphy. Mr.,. Kuczek, on PUB/CENTRA-13 from the GRA,  
11 looking at the number of customers by customer class and  
12 we go to the column of 2006/'07 forecast, that year has  
13 now come to an end on your fiscal books, correct?

14 MR. LLOYD KUCZEK: Yes.

15 MR. BOB PETERS: And I believe you told  
16 me back in the GRA that you've revised the number of  
17 customers on line 18 under the SGS residential class,  
18 certainly, for the '06/'07 year.

19 MR. LLOYD KUCZEK: Yes and the following  
20 years as well.

21 MR. BOB PETERS: Okay. And -- and the  
22 following years were -- were forecast when you appeared  
23 at the GRA and they're still forecast to date; are they  
24 not?

25 MR. LLOYD KUCZEK: Yes.



1                   MR. BOB PETERS:    And that's part of the  
2 information that you can discuss with Ms. Murphy in terms  
3 of revising and -- and refiling with the Board.

4                    Would that be okay?

5                   MR. LLOYD KUCZEK:    Yes.

6                   MR. BOB PETERS:    Now before I leave that  
7 column of 2006/'07 and line number 18, the SGS  
8 residential customers, I wrote in my book that there was  
9 approximately forty-three thousand six hundred (43,600)  
10 customers.

11                   Am I approximately correct?

12                   MR. LLOYD KUCZEK:    Yes.  But when -- that  
13 -- that information was the number of customers that were  
14 signed up at that time.  When we update this graph it'll  
15 be the average for that year, so, it will be a higher  
16 number.

17                   And you'll see a number -- if I've got my  
18 numbers right here, it'll be forty-seven thousand eight  
19 hundred and twenty-four (47,824) and then the forecast  
20 going beyond that will reflect what's more current as  
21 opposed to the average.

22                   MR. BOB PETERS:    Thank you, Mr. Kuczek,  
23 will -- will there be adjustments also on the subsequent  
24 pages, certainly with the percentages, and also in the  
25 volumes in the percent changes?

1 MR. LLOYD KUCZEK: Correct.

2 MR. BOB PETERS: All right, we'll --  
3 we'll look for those, but for the purposes of this  
4 discussion, we're in the ballpark of forty-five (45) to  
5 fifty thousand (50,000) SGS customers who subscribed for  
6 WTS service in '06/'07.

7 MR. LLOYD KUCZEK: Correct. They didn't  
8 subscribe necessarily during that year, but they're provi  
9 -- obtaining service through W -- through WTS service.

10 MR. BOB PETERS: All right, and that's a  
11 good -- a good revision, Mr. Kuczek.

12 What you're telling the Board is they may  
13 not have signed on a new contract in '06/'07, but they  
14 would have been an existing customer or a new customer in  
15 that year.

16 MR. LLOYD KUCZEK: Correct.

17 MR. BOB PETERS: Mr. Chairman, I will  
18 move to another area, but I think it's best I do that at  
19 two o'clock when we come back from the extended lunch  
20 hour.

21 THE CHAIRPERSON: Very good, we will see  
22 you all back at 2:00, thank you.

23

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

25 --- Upon Resuming at 2:13 p.m.

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THE CHAIRPERSON: Anytime you're ready,  
Mr. Peters.

CONTINUED BY MR. PETERS:

MR. BOB PETERS: Yes, thank you, Mr.  
Chairman. Is it Centra's position before the Board that  
deregulation of the wholesale market in North America has  
been relatively successful?

MR. GREG BARNLUND: Yes, it is.

MR. BOB PETERS: And in your evidence,  
Tab 1, page 4 of 6, I find Centra suggesting to the Board  
that the benefits of deregulation have extended to the  
retail market in Manitoba, for the high volume commercial  
and industrial customers?

MR. GREG BARNLUND: Yes.

MR. BOB PETERS: And when we say high  
volume commercial and industrial customers, Mr. Barnlund,  
are we referring to the LGS, the mainline high volume  
firm, and the special contract customer, and  
interruptible customer?

MR. GREG BARNLUND: The information we've  
provided in our evidence separates the customer --  
customers by customer class. And we categorize the small  
volume retail market as being the SGS and LGS class

1 customers, and the information we prevented -- presented  
2 on the large volume market would be the high volume firm  
3 interruptible mainline and special contract class.

4 MR. BOB PETERS: And what you are drawing  
5 the Board's attention to is that the -- the LGS class,  
6 even though it's the large general service class, you  
7 consider that to be in the -- in the small volume  
8 commercial customers?

9 MR. GREG BARNLUND: Mainly because the  
10 majority of the customers in that class are relatively  
11 small volume customers. Admittedly there are a few  
12 larger volume customers in that class, because it could  
13 be a customer that consumes up to 680,000 cubic metres  
14 per year, but the majority of those customers would be on  
15 the smaller end of the scale.

16 MR. BOB PETERS: For the customer classes  
17 consuming greater volumes than the LGS, you are telling  
18 the Board there is a competitive market place, but for  
19 the LGS and the SGS, you're not characterizing the  
20 current marketplace as competitive?

21 MR. GREG BARNLUND: I think that's what  
22 we've concluded, because when we look at the large volume  
23 customers, we find that the customers that make up those  
24 -- that category are relatively sophisticated customers.

25 They understand how to manage purchase

1 transactions much better than small volume customers.  
2 They have better access to information. They're able to  
3 deal directly with suppliers and participants in the  
4 wholesale natural gas market themselves, because of their  
5 size and their ability to negotiate with -- with those  
6 parties directly.

7 So they have a number of attributes that  
8 work well in terms of their involvement in the wholesale  
9 natural gas market.

10 MR. BOB PETERS: Just to quantify that  
11 large volume customer base that you say is functioning  
12 well right now in Manitoba, from a competitive  
13 perspective, we're talking of approximately a hundred and  
14 fifty (150) customers?

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

16 MR. BOB PETERS: You offered up one (1)  
17 of the reasons that it's working well, was because of the  
18 sophistication of the customer. Would that be correct?

19 MR. GREG BARNLUND: Yes.

20 MR. BOB PETERS: Do you have personal  
21 knowledge of the sophistication of each of these  
22 customers, or is that an assumption that you're making?

23 MR. GREG BARNLUND: I think that I have,  
24 and Mr. Stephens probably as well has some first hand  
25 experience in dealing with those customers in the past,

1 and actually on quite a close level throughout the course  
2 of the last fifteen (15) or twenty (20) years of the  
3 evolution of this natural gas market.

4 And from our firsthand experience, we have  
5 seen, you know, how these customers have been able to  
6 participate and been able to take advantage of -- of the  
7 deregulation processes that have occurred here in  
8 Manitoba.

9 MR. BOB PETERS: Amongst that approximate  
10 hundred and fifty (150) customers that you have worked  
11 with for the last number of years, Mr. Barnlund, there's  
12 only approximately seven (7) brokers or retailers that  
13 service that market; is that correct?

14 MR. GREG BARNLUND: Those are the ones  
15 that are registered with the Public Utilities Board for  
16 doing business in Manitoba, yes.

17 MR. BOB PETERS: But the number is seven  
18 (7) serving those hundred and fifty (150).

19 MR. GREG BARNLUND: I believe so.

20 MR. BOB PETERS: And of those seven (7)  
21 brokers, are you aware as to whether any of them are  
22 self-served; that is, they register themselves as a  
23 broker and have one of their people line up their gas  
24 supply?

25

1 (BRIEF PAUSE)

2

3 MR. GREG BARNLUND: That's been the case  
4 in the past. I'd have to double-check the list a little  
5 bit closer to see if anybody has registered with the  
6 Board to be purchasing on their own behalf. But that  
7 certainly has been the case in the past.

8 MR. BOB PETERS: But you're telling the  
9 Board that some of those seven (7) would be self-  
10 supplying?

11 MR. GREG BARNLUND: I believe so, yeah.

12 MR. BOB PETERS: And -- and another way  
13 of saying that, perhaps, Mr. Barnlund, is of those seven  
14 (7) brokers servicing the -- the large-volume consumers  
15 that you've identified, some of those large-volume  
16 consumers just arrange their own gas and for nobody else?

17 MR. GREG BARNLUND: I'd have to -- I'd  
18 probably want to check the list of registered brokers  
19 because now we talk about this, to my recollection, in  
20 terms of that list, I don't recall seeing any of the  
21 individual customers registered specifically with the  
22 Board. The ones that I saw registered were -- were  
23 wholesale market participants.

24 MR. BOB PETERS: Yes, then what I will do  
25 is I'll ask you to check that list and then maybe,

1 through your counsel, you can tell the Board whether any  
2 of those seven (7) brokers are only arranging gas to  
3 their -- their business rather than competing for other  
4 people's business.

5 MR. GREG BARNLUND: Yes, we'll do that,  
6 Mr. Peters.

7

8 --- UNDERTAKING NUMBER 2: Of the seven (7) brokers  
9 servicing the large-volume  
10 consumers that were  
11 identified, for Centra to  
12 advise if any are only  
13 arranging gas to their  
14 business rather than  
15 competing for other people's  
16 business.

17

18 CONTINUED BY MR. BOB PETERS:

19 MR. BOB PETERS: Can you tell the Board  
20 whether any of those seven (7) brokers are also servicing  
21 the approximate seven hundred and seventy-six (776) LGS  
22 customers who are using WTS service, according to the  
23 document at Tab 2 of the book of documents that I've  
24 provided?

25



1 (BRIEF PAUSE)

2

3 MR. GREG BARNLUND: That is possible,  
4 yes.

5

6 (BRIEF PAUSE)

7

8 MR. BOB PETERS: Just so the Board is  
9 then clear, Mr. Barnlund. Those seven (7) brokers in  
10 addition to supplying some of those hundred and fifty  
11 (150) large volume commercial customers, would also be  
12 supplying some of what the small-volume commercial  
13 customers found in the LGS class?

14 MR. GREG BARNLUND: I guess more  
15 correctly stated they may be supplying some of the  
16 customers in the LGS class. Whether they're small --  
17 their volume -- it's hard to tell in terms of the numbers  
18 that are presented right there, but I -- I'd agree  
19 conceptually with that.

20 MR. BOB PETERS: Okay. Well, what we do  
21 know is that there's a volume restriction on LGS and SGS  
22 of 680,000 cubic metres --

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

24 MR. BOB PETERS: -- per year? And some  
25 rough numbers, that would be the rough equivalent of two

1 hundred and sixty (260) households?

2 MR. GREG BARNLUND: I'll take that,  
3 subject to check, yeah.

4 MR. BOB PETERS: It seems about right to  
5 you?

6 MR. GREG BARNLUND: Just take it subject  
7 --

8 MR. BOB PETERS: Certainly. See how easy  
9 that is? I think Mr. Hoaken is going to want the same  
10 answers.

11 So all I'm suggesting to you is that you  
12 can be an LGS customer and take 680,000 cubic metre of  
13 gas, or you could be an SGS -- you could be a residential  
14 customer and in the LGS class as well?

15 MR. GREG BARNLUND: Potentially.

16 MR. BOB PETERS: Because Centra allows  
17 consumers below 680,000 cubic metres per year to elect  
18 which customer class they want to be in as between SGS  
19 and LGS?

20 MR. GREG BARNLUND: Yes, sir, that's  
21 correct.

22 MR. BOB PETERS: All right. This  
23 question probably is more appropriate for the -- for the  
24 potential witnesses across the room, but can you tell the  
25 Board whether the retailer servicing the SGS market in

1 Manitoba also service customers in the larger volume  
2 classes?

3 MR. GREG BARNLUND: To a certain extent,  
4 I assume they do, but that is a question that I think you  
5 probably should ask them.

6 MR. BOB PETERS: Just so the Board is  
7 clear, you know with some precision which customers the  
8 seven (7) brokers service in the large volume customers,  
9 correct?

10 MR. GREG BARNLUND: We would have that  
11 information, yes.

12 MR. BOB PETERS: Yes, and I'm not asking  
13 for it, but that would be something you would know, just  
14 like you would know if -- well, let me ask it bluntly.  
15 Is Direct Energy Marketing Limited one (1) of those seven  
16 (7) retailers that services the large-volume customers?

17 MR. GREG BARNLUND: We -- we'd have to  
18 check that. I just -- we don't have that information  
19 right available at hand.

20 MR. BOB PETERS: I'll try to remember to  
21 ask the next panel and -- and likewise for Energy Savings  
22 (Manitoba). You're -- you're not here to -- you don't  
23 know right now whether they're one (1) of those seven (7)  
24 brokers that you listed servicing the large volume?

25 MR. GREG BARNLUND: I -- I couldn't say,

1 no, sorry. I don't know.

2 MR. BOB PETERS: Well, I perhaps I will  
3 ask you to check and just get back to us if -- if you can  
4 answer that one way or the other. And I'm not asking for  
5 number of customers or volumes, but just whether or not  
6 they are -- whether those are retailers included in the  
7 seven (7) retailers that you've the Board service the  
8 large-volume customers?

9 MR. GREG BARNLUND: We'll do that, thank  
10 you, yeah.

11

12 --- UNDERTAKING NO. 3: Centra to determine if Direct  
13 Energy and Energy Savings  
14 (Manitoba) are part of the  
15 seven (7) retailers that  
16 service large volume  
17 customers

18

19 CONTINUED BY: MR. BOB PETERS:

20 MR. BOB PETERS: Mr. Barnlund, Mr.  
21 Stephens, witness panel, is it the fact that there are  
22 seven (7) retailers servicing one hundred and fifty (150)  
23 customers that lead Centra to conclude that that market  
24 is competitive?

25 MR. GREG BARNLUND: Well, I think that

1 the other thing about that market and -- and the state of  
2 competition is that there are, indeed, a large number of  
3 marketers serving those customer than we find in the  
4 small-volume category or certainly in the residential  
5 category. And that the product offerings tend to be  
6 different.

7 In other words, they tend to be a shorter  
8 term year-to-year contracting basis as opposed to a  
9 multi-year arrangement. So there is greater potential  
10 for customer mobility from offer to offer, from year to  
11 year, from marketer to marketer depending on the changing  
12 circumstances of the natural gas market, the market  
13 offers that are available to those customers and the  
14 customer's individual circumstances.

15 MR. BOB PETERS: Rather than the number  
16 of brokers then, Mr. Barnlund, who service the large-  
17 volume consumers, would you agree that it is more a  
18 question of the volume that provide rather than the  
19 number of customers that they service?

20 MR. GREG BARNLUND: Could you -- could  
21 you ask me that again, I'm not sure I understand?

22 MR. BOB PETERS: All right. Let me --  
23 let me rephrase the thought. You just told me in your  
24 second last answer that there were more brokers servicing  
25 the large-volume customers in Manitoba, correct?

1                   MR. GREG BARNLUND:    Than the small volume  
2 customers, yes.

3                   MR. BOB PETERS:    And that's seven (7)  
4 brokers versus two (2) brokers or retailers?

5                   MR. GREG BARNLUND:    Yes.

6                   MR. BOB PETERS:    And that was one (1) of  
7 the reasons why you're suggesting to the Board that there  
8 is a healthy, functioning, competitive market for the  
9 large-volume consumers?

10                  MR. GREG BARNLUND:    Yes.

11                  MR. BOB PETERS:    In addition to the  
12 number of brokers involved, Mr. Barnlund, isn't it  
13 probably more accurate to say that the brokers are -- are  
14 not necessarily interested in customer numbers, they're  
15 interested in volume supplied?

16                  MR. GREG BARNLUND:    I think that's  
17 correct, yes.

18                  MR. BOB PETERS:    And, therefore, unless  
19 you knew exactly which customers were served by which  
20 retailer, you wouldn't really know what volumes they're  
21 dealing with in supplying in the marketplace; that be  
22 correct?

23                  MR. GREG BARNLUND:    I -- I think so.

24                  MR. BOB PETERS:    You're not suggesting to  
25 the Board that of those seven (7) retailers servicing the

1 large volume consumers in Manitoba, that they have  
2 exactly the same volumes?

3 MR. GREG BARNLUND: No.

4 MR. BOB PETERS: You did suggest to the  
5 Board that one (1) of the other reasons why you -- you --  
6 why Centra takes the position that there is a healthy  
7 competitive marketplace for the hundred and fifty (150)  
8 large volume customers is because there are different  
9 product offerings?

10 MR. GREG BARNLUND: That's correct.

11 MR. BOB PETERS: When you say "different  
12 product offerings," you're meaning different product  
13 offerings than what are offered to residential customers?

14 MR. GREG BARNLUND: Yes, and different,  
15 as I mentioned before, contract durations.

16 MR. BOB PETERS: All right, well, let's --  
17 -- let's --

18 MR. HOWARD STEPHENS: Mr. Peters, maybe I  
19 can --

20 MR. BOB PETERS: Yes, sorry.

21 MR. HOWARD STEPHENS: -- just add to  
22 that.

23 MR. BOB PETERS: Yes, sir.

24 MR. HOWARD STEPHENS: I think the product  
25 offerings would be more customized to satisfy the

1 individual customer's requirements. So, from that  
2 perspective, they become much more attractive, and  
3 they're getting exactly what they want in terms of price  
4 stability versus market reflective prices and all of the  
5 variable -- variables that you would consider, so.

6           And the other aspect of this I think you  
7 should be mindful of is, in some cases, if it's a  
8 national corporation or company, they may have a central  
9 purchasing office that has arranged for gas supplies  
10 across the country for their different facilities.

11           And in that respect, they drop enough gas  
12 here to serve the local plant but it's -- it's only one  
13 plant out of many, so they may have a central purchasing  
14 function. Those people are very familiar with the  
15 marketplace and, from that perspective, they have the  
16 benefit of that exposure.

17           MR. BOB PETERS: Those two (2) reasons  
18 you've clarified, Mr. Stephens, I took them as customized  
19 product and also part of a national organization where  
20 you're -- where the gas is purchased on a national basis.

21           Those are two (2) factors that can't even  
22 apply to residential customers, are they?

23

24

(BRIEF PAUSE)

25



1                   MR. HOWARD STEPHENS:    I'm going to give  
2   you a somewhat qualified answer, and perhaps my  
3   colleagues across the row will correct me later.  But,  
4   certainly, direct from the perspective that they have a  
5   presence in other marketplaces gives them more leverage  
6   in terms of trying to serve different markets.

7                   And then from that perspective, it makes  
8   it more -- I mean, easier for them to serve those  
9   different markets and it's not just they have to serve  
10  Central Manitoba at our lousy load factor in trying to  
11  deliver gas here with all the balancing and concerns, et  
12  cetera.  So, from that perspective, they can -- they have  
13  -- doing Mr. Foran's routine here -- they can take  
14  advantage of diversity and that's really the issue.

15                  MR. BOB PETERS:    Okay, I want to cover  
16  that with you, and let's maybe deal with it right now.

17                  Is -- is your answer suggesting to the  
18  Board that Direct Energy Marketing Limited may have a  
19  client in, oh, that eastern Canadian city, what is it,  
20  Toronto?

21                  MR. ERIC HOAKEN:    I'm sorry, could you  
22  spell that --

23

24  CONTINUED BY MR. BOB PETERS:

25                  MR. BOB PETERS:    And -- and they may have

1 a customer in Toronto who has a --

2 MR. HOWARD STEPHENS: I have no idea  
3 where Toronto is.

4 MR. BOB PETERS: -- an outpost in  
5 Winnipeg, but they would supply -- that would give them  
6 an opportunity to supply volumes to Manitoba if they --  
7 if they had a head office in one (1) jurisdiction and  
8 supplied it and provided it to --

9 MR. HOWARD STEPHENS: Certainly, to the  
10 extent they have a national presence. I mean, it gives  
11 them a benefit.

12 MR. BOB PETERS: Okay, well, but -- but  
13 in terms of that being an indicia of there being a  
14 competitive marketplace, that same test can't be applied  
15 to the residential market in Manitoba to see whether it's  
16 compet -- whether it's a competitive marketplace.

17 Do you understand my question?

18 MR. HOWARD STEPHENS: Yes, I do and I  
19 think I agree with you.

20 MR. BOB PETERS: Okay. So put another  
21 way, just because I may have a relative in Toronto who  
22 buys gas from Energy Savings there, that doesn't  
23 necessarily mean it's easier for me to get gas here from  
24 my relative down east?

25 MR. HOWARD STEPHENS: That's correct.

1                   MR. BOB PETERS:    Okay.  So -- so the fact  
2   that there's a national presence, that's a factor in the  
3   high -volume customers that really can't translate down  
4   to the residential customer?

5                   MR. HOWARD STEPHENS:   Well, no, I don't  
6   think I would take it that far because the -- the brokers  
7   or marketers that are selling into this marketplace have  
8   experience with respect to dealing with the smaller --  
9   small -- residential and commercial customers.  And from  
10  that perspective, they can apply that experience with the  
11  set of assets that they have to a more diverse load  
12  overall.

13                  MR. BOB PETERS:    All right.  I think your  
14  -- your point that you're making and I was missing was  
15  their ability to meet the load that they attract can be  
16  different because of their national presence?

17                  MR. HOWARD STEPHENS:   That's correct.

18                  MR. BOB PETERS:    All right.  You also  
19  said that the retailer supplying the hundred and fifty  
20  (150) large volume consumers in Manitoba could customize  
21  their product and that would -- that's a sign to you that  
22  there's a competitive marketplace, correct?

23                  MR. GREG BARNLUND:    Yes.

24                  MR. BOB PETERS:    I'm not sure I want to  
25  go down too far, but tell me when you say, "customize",

1 how do they customize the molecules of primary gas  
2 they're providing to a large-volume customer compared to  
3 a -- a small general service customer?

4 MR. GREG BARNLUND: Potentially what they  
5 might do is structure an arrangement where they're going  
6 to supply a certain amount of annual volume to a customer  
7 at a -- at a certain price and, depending on the  
8 customer's load factor, or load fluctuations may strike a  
9 different arrangement for volumes in excess of some base  
10 amount.

11 There may be some different arrangements  
12 put in place in terms of the pricing provisions that are  
13 a little bit more reflective of a customized price  
14 management philosophy that individual customer may have.  
15 And certainly we have some very large customers that  
16 handle their own price management activities in  
17 conjunction with price management activities that they  
18 employ in purchasing other commodities for their  
19 production processes.

20 MR. BOB PETERS: You cannot offer those  
21 services to the SGS customer, can you, Mr. Barnlund?

22 MR. GREG BARNLUND: Could you repeat  
23 that, sorry?

24 MR. BOB PETERS: Centra can't offer those  
25 services to the SGS customer, can they; that

1 customization service?

2 MR. GREG BARNLUND: Not under our current  
3 arrangement, no.

4 MR. BOB PETERS: Well, when you say, "not  
5 at your current arrangement," your current supply  
6 arrangement?

7 MR. GREG BARNLUND: No, I mean our  
8 current arrangements in terms of us providing one (1)  
9 single primary gas offering to the retail market.

10 MR. BOB PETERS: All right. But I'm  
11 suggesting to you that the customization that you talk  
12 about for your large-volume customers, where there can be  
13 a base price and then a different price depending on load  
14 factor, that's not something that could even be extended  
15 if you wanted to, to the SGS class, could it?

16 MR. GREG BARNLUND: The arrangements I  
17 was referring to in terms of the large industrials, that  
18 -- that particular type of arrangement, is usually  
19 specific to, you know, a very large industrial plant.

20 And so it becomes much more difficult to  
21 formulate the same type of an arrangement for mass market  
22 customers because, you know, there's going to be  
23 individual pockets of customers that have got specific  
24 preferences that you would have to take into  
25 consideration in -- in putting that separate package

1 together.

2 MR. BOB PETERS: Thank you. And I think  
3 what you're drawing for the Board is a distinction that  
4 instead of doing a one-off arrangement for one (1) of the  
5 one hundred and fifty (150) large volume customers, you  
6 would have to design a mass product for the SGS class  
7 just because of the sheer number of customers?

8 MR. GREG BARNLUND: Yes, sir.

9 MR. BOB PETERS: And one (1) of the other  
10 reasons why you thought there might be a competitive  
11 market in the -- for the hundred and fifty (150) large  
12 volume consumers in Manitoba was -- in terms of product  
13 offerings, there was more year-to-year service, I heard  
14 you say?

15 MR. GREG BARNLUND: That's correct and it  
16 provides the customers with some additional ability to --  
17 to choose and be mobile on a -- on a shorter term basis  
18 in terms of being able to select different products that  
19 might meet their changing conditions.

20 MR. BOB PETERS: And that greater  
21 mobility that you're suggesting to the Board would come  
22 after their contractual arrangement with one (1) retailer  
23 expires?

24 MR. GREG BARNLUND: Yes, that's correct.  
25 And it's not uncommon for those arrangements to be done

1 on a -- a year-to-year basis on a gas year.

2 MR. BOB PETERS: And did you have the  
3 benefit of hearing some of Dr. Van Audenrode's testimony?

4 MR. GREG BARNLUND: Yes.

5 MR. BOB PETERS: He talked a little bit  
6 about market segmentation, do you remember that?

7 MR. GREG BARNLUND: I do.

8 MR. BOB PETERS: And would you agree with  
9 me that, to the extent that some of these seven (7)  
10 retailers or brokers that are supplying the hundred and  
11 fifty (150) customers of a large volume size in Manitoba,  
12 they have segmented the market that's interested in a  
13 year-to-year product, would that be fair?

14 MR. GREG BARNLUND: Yes, potentially.

15 MR. BOB PETERS: And are you telling the  
16 Board that if you, as a large-volume consumer, wanted a  
17 five (5) year fixed price arrangement, do you think  
18 that's available in the marketplace?

19 MR. GREG BARNLUND: It may be, but I'm  
20 not -- I'm not aware in terms of the longer term  
21 arrangements for them.

22 MR. BOB PETERS: You're only aware of  
23 the one (1) -- one (1) year arrangements?

24 MR. HOWARD STEPHENS: I don't -- I mean,  
25 we're just exploring this in terms of what's available to

1 the customers at the wholesale level, which is really  
2 what they're dealing with. And we're -- I mean, to a  
3 certain extent -- I mean, -- I mean, it's very similar to  
4 when we go to the market for gas supply. We'll do an  
5 RFP, I mean, and we'll set out our requirements and then  
6 ask for a number of parties to come back and show us how  
7 they can best meet our requirements and at what price.

8           And then we can take them and make our  
9 choices on the basis of that. Some customers will have a  
10 preference for one (1) year contracts, based upon perhaps  
11 market view. Some may have a five (5) -- I mean, a  
12 preference for a five (5) year contract, because they  
13 want to fix the price because it has a significant impact  
14 on their output cost of their product, and they want  
15 assurances as -- as to what the cost is going to be with  
16 respect to that.

17           So there are a variety of considerations  
18 with respect to that, and those were all available to  
19 those customers. I mean -- I mean, when you're talking  
20 customers the size of Simplot, et cetera, I mean, that  
21 are using considerable amounts of gas; I mean, they have  
22 -- they can really call the shots in terms of what they  
23 can extract out of the marketplace.

24           MR. BOB PETERS: You introduce a new  
25 element, Mr. Stephens, perhaps coyly. When you say



1 Simplot, that's -- that's a T-Service customer to Centra?

2 MR. HOWARD STEPHENS: I think most of the  
3 customers that we've been discussing, for the most part -  
4 - I stand corrected. Yes, but Simplot is -- and I mean,  
5 I should refer to them the appropriate -- their current  
6 name, I mean Coke Industries.

7 MR. BOB PETERS: Coke Fertilizer Canada,  
8 yes.

9 MR. HOWARD STEPHENS: Yeah. They are a  
10 T-Service customer, yes.

11 MR. BOB PETERS: Well, when Mr. Barnlund  
12 and I were talking, I thought we were talking about a  
13 hundred and fifty (150) customers, but I see from Tab 2  
14 of the book of documents that I've given you, that in  
15 terms of T-Service customers, there's about fifteen (15)  
16 T-Service customers in Manitoba.

17 MR. HOWARD STEPHENS: I'll take that as -  
18 - yeah.

19 MR. BOB PETERS: So, Mr. Barnlund, were  
20 we talking about a hundred and fifty (150) large volume  
21 consumers in the other classes, or are we talking the  
22 fifteen (15) consumers in the T-Service class?

23 MR. GREG BARNLUND: No, we're talking the  
24 hundred and fifty (150) customers, and they're being  
25 provided service either under T-Service arrangements for

1 the fifteen (15) customers, or the other direct purchase  
2 customers are functioning under Western Transportation  
3 Service arrangements.

4 So it's -- they have their selection in  
5 terms of how they prefer to take that service.

6 MR. BOB PETERS: All right. And, Mr.  
7 Stephens, back to you. In terms of the product offerings  
8 in the year to year, your suggestion to the Board was, if  
9 a consumer in the higher volume classes wanted a five (5)  
10 year product, one would be made available by somebody for  
11 them?

12 MR. HOWARD STEPHENS: I can't imagine a  
13 scenario where somebody wouldn't offer up something.

14

15 (BRIEF PAUSE)

16

17 MR. BOB PETERS: All right. Let's turn  
18 our attention if we could, to the residential customers  
19 and the small volume commercial customers. And by that I  
20 take it, with this panel, we're talking about the SGS  
21 class as well as the LGS class.

22 Have I got that correct?

23 MR. GREG BARNLUND: That's correct.

24 MR. BOB PETERS: And in the SGS class,  
25 even though there's a subclass, if I can call it that, of

1 residential customers, there's also a subclass of SGS  
2 commercial. But for the purposes of Centra's evidence,  
3 those customers are all being treated the same?

4 MR. GREG BARNLUND: Yes, sir.

5 MR. BOB PETERS: Is the fact that there  
6 are only two (2) retailers servicing the SGS and the --  
7 the SGS market anyway, a reason that Centra suggests that  
8 the low volume customers are not in a competitive  
9 marketplace?

10 MR. GREG BARNLUND: That is -- that's one  
11 of the points we made, yes.

12 MR. BOB PETERS: And if the number of  
13 retailers is supposed to be an indicia of how competitive  
14 a marketplace is, can you tell the Board how many  
15 retailers there were approximately back in maybe 1991,  
16 and then how many in '96, compared to what there are  
17 today?

18

19 (BRIEF PAUSE)

20

21 MR. GREG BARNLUND: I think the  
22 information that we have suggest that in the early  
23 nineties that there was probably about twenty-four (24)  
24 brokers that were registered and six (6) of them were  
25 focussing on marketing to the small volume retail market,

1 like the SGS residential-type customer.

2 MR. BOB PETERS: Do you recall how many  
3 were servicing the SGS market back in 1996?

4 MR. GREG BARNLUND: I don't think that we  
5 were able -- like, we didn't do that fine a -- an  
6 adjustment on the numbers when we were putting the  
7 evidence together, so I'm not sure.

8 MR. BOB PETERS: And, Mr. Stephens, in  
9 terms of the approximate six (6) that were servicing the  
10 SGS market as far back as 1991, you're aware that there  
11 have been corporate mergers, acquisitions, takeovers and  
12 the like?

13 MR. HOWARD STEPHENS: These big fish are  
14 eating up the small fish here.

15 MR. BOB PETERS: So if the big fish are  
16 eating up the small fish, is that an indication to Centra  
17 that a -- that a competitive marketplace does not exist?

18 MR. HOWARD STEPHENS: Well, I would  
19 suggest that that's just a natural outcome of a -- a  
20 competitive marketplace.

21 MR. BOB PETERS: So the fact that the big  
22 fish, to use your words, are eating the little fish is an  
23 indicia that there is a competitive marketplace in -- in  
24 Manitoba?

25 MR. HOWARD STEPHENS: Well, if you have a

1 number of -- a number of -- I mean, competing firms to  
2 begin with and it reduces the number, but not to the  
3 point where you've only got one (1) counterpart left or  
4 one (1) marketer left in the marketplace, then I will  
5 agree with your answer, with those qualifications.

6 MR. BOB PETERS: All right. And -- and  
7 there's more than one (1) left in the marketplace now for  
8 the SGS class?

9 MR. HOWARD STEPHENS: Yes.

10 MR. GREG BARNLUND: But I think the exact  
11 number of participants that would delineate a workably  
12 competitive market is a difficult analysis, and it's  
13 something, I think, in the realms of economics in terms  
14 of how you would undertake that specific analysis.

15 But I can refer back to, for example, in  
16 Georgia, where legislation was passed a couple of years  
17 ago to quasi re-regulate part of the fully deregulated  
18 market.

19 In Georgia, where there's a trigger  
20 mechanism there, that I think if the numbers fall to  
21 three (3) marketers controlling 90 percent of the market  
22 is a red flag that goes up enabling the Legislature to  
23 enact measures to re-regulate parts of the market.

24 I'd have to check the number, it's three  
25 (3) or four (4), but it's three (3) or four (4) of 90

1 percent.

2

3

(BRIEF PAUSE)

4

5 MR. BOB PETERS: I'm not sure I fully  
6 understood your -- your answer, Mr. Barnlund. But are  
7 you suggesting that because some other jurisdiction uses  
8 three (3) or four (4) as a trigger mechanism, that's the  
9 number that Centra is using to determine whether or not  
10 there's competition in the SGS market?

11 MR. GREG BARNLUND: I'm not saying that,  
12 but I'm just reflecting on the circumstances in Georgia  
13 as an example of some analysis that's been done to -- to  
14 derive a certain threshold that would cause some concern  
15 in terms of competitiveness in the market.

16 MR. BOB PETERS: Is there an analysis  
17 that you are aware of that you could provide the Board  
18 from that example?

19 MR. GREG BARNLUND: I can check on our  
20 material and get back to you on that, sir.

21 MR. BOB PETERS: All right. Well, thank  
22 you for that.

23 Leaving aside the number of retailers in  
24 the -- in the -- servicing the smaller volume commercial  
25 and the residential classes, would you agree, and I'm --

1 I'm going to put to you some words that I took from the  
2 transcript, page 359 and 360, from Mr. Stauff, who  
3 suggested that the lack of participants is not indicative  
4 of a failure of a competitive market to form.

5 And do you take issue with that or do you  
6 agree with that?

7 MR. GREG BARNLUND: Could you repeat that  
8 quotation for me? Sorry.

9 MR. GREG BARNLUND: If I said it was a  
10 quotation, I shouldn't say that. I'm -- I paraphrased or  
11 certainly what I wrote out of his -- out of his evidence.  
12 But I took from Mr. Stauff to be saying that the lack of  
13 participants or retailers in the residential marketplace  
14 is not indicative of a failure of a competitive market to  
15 form.

16

17 (BRIEF PAUSE)

18

19 MS. MARLA MURPHY: Could you just give me  
20 the transcript reference again, please?

21 MR. BOB PETERS: I wrote down 359 and 360  
22 -- over to 360. I'll check that, Ms. Murphy.

23

24 (BRIEF PAUSE)

25

1                   MR. GREG BARNLUND:    I think you're  
2   paraphrasing Mr. Hoaken and paraphrasing Mr. Stauff here,  
3   so I'm not sure that I'm --

4

5   CONTINUED BY MR. BOB PETERS:

6                   MR. BOB PETERS:    All right, let me start  
7   over if that's --

8                   MR. GREG BARNLUND:    Please.  Let me try  
9   something here.  Generally at the opening of a market  
10  you're probably going to see a large number of  
11  participants, a large number of marketers that will  
12  approach that market, because it's a wide open venue.

13                   Look at British Columbia, for example.  
14  They've opened their residential market this year, seven  
15  hundred and thirty thousand (730,000) residential  
16  customers are available for direct purchase for the first  
17  time in a meaningful way.

18                   May 1 marketing get's underway.  There's  
19  twelve (12) marketers that are registered to do business  
20  in British Columbia, and they're going to attack that  
21  market with a great deal of vigour, because it's a green  
22  field opportunity.  There's no incumbent marketer or  
23  group of marketers that have a large toehold.  There's a  
24  large number of customers that are available for the  
25  choosing, and so you'll have a -- a great influx of



1 marketer activity that occurs.

2                   Over time what you could expect to happen  
3 is probably what we saw here in Manitoba, and probably  
4 what's occurred in Ontario, and probably what's occurred  
5 in a lot of jurisdictions that have -- that have  
6 undertaken this, is that there will be some aggregation  
7 that is going to occur. There's going to be some  
8 takeovers. There's going to be -- certain marketers will  
9 acquire the business of other marketers. And there'll be  
10 some consolidation that's going to occur over time in  
11 terms of that industry.

12                   At what point do you like -- the real  
13 question then is: How much consolidation and how much  
14 concentration of -- of ownership occurs, and at what  
15 point do you lose that competitive aspect to the market.

16                   And I think that's the point that we would  
17 make in terms of this, is that certainly in Manitoba and  
18 in Ontario we've had, you know, 20 years of deregulation,  
19 and we've gone through sort of the influx and then the  
20 consolidation phase, and we've settled to where we are  
21 right now.

22                   And it's not really that different in  
23 Ontario when you get right down to it. A larger  
24 population base, but still there's a small number of,  
25 perhaps two (2) or three (3) dominant marketers that have

1 got the majority of the -- of the direct purchase share  
2 in Ontario as well.

3 So that is the trend that has occurred in  
4 this industry.

5 MR. BOB PETERS: Thank you for that, Mr.  
6 Barnlund. What you're telling the Board is that from the  
7 infancy the market will mature, and that's a natural  
8 occurrence for that to happen, and if as that happens,  
9 the number of retailers in the market decreases, that can  
10 be a natural expectation?

11 MR. GREG BARNLUND: Yes, it can.

12 MR. BOB PETERS: And the fact that the  
13 number of retailers declines is not an indication that  
14 the market is not competitive?

15 MR. GREG BARNLUND: To the extent that  
16 there remain enough competitors in the market to provide  
17 viable choice and different product offerings, and to be  
18 able to compete against each other for those customers,  
19 it still remains competitive. But at some point it may  
20 cross the threshold.

21 MR. BOB PETERS: All right. And -- and I  
22 think you've suggested to the Board that that threshold  
23 in Manitoba has been crossed, because we on -- now only  
24 have two (2) retailers servicing the SGS and the small  
25 commercial market?

1 MR. GREG BARNLUND: Well, I think that's  
2 fair, yes.

3 MR. BOB PETERS: And other than the  
4 number of retailers, is it then some other factor that  
5 leads Centra to conclude that the marketplace is not  
6 competitive?

7 MR. GREG BARNLUND: Well, certainly in  
8 terms of limited number of product offerings, as well,  
9 there's -- you know, we really have a situation that's  
10 emerged here, again, not unlike Ontario or other  
11 jurisdictions where the incumbent utility is offering a  
12 very -- a relatively short-term product offering.

13 You know, typically Terasen System Gas,  
14 Union or Enbridge System Gas in Ontario and our system  
15 gas is a quarterly priced primary gas offering that --  
16 that is similar in terms of those types of  
17 characteristics. On the other hand, for the most part,  
18 the direct purchase -- or the marketers and brokers are  
19 offering longer term products, three (3), four (4) or  
20 five (5) years in duration, that are a fixed price or  
21 modified price-type arrangement.

22 And that situation is understandable under  
23 our current circumstances because for one (1) -- one (1)  
24 hand, the brokers do incur a cost to acquire a customer  
25 and that cost, I've seen reported in the neighbourhood of

1 maybe a hundred and eighty dollars (\$180) per customer to  
2 acquire a customer.

3 Under a fixed price arrangement, or under  
4 some of the arrangements that are in the market these  
5 days, there may be only be a hundred and fifty (150) to  
6 two hundred dollars (\$200) worth of margin for a broker  
7 per year for one (1) of these product offerings.

8 So it makes sense for them to be focussing  
9 on the four (4) and five (5) year or the longer term end  
10 of the market. In doing so, they're amortizing their  
11 customer acquisition and marketing costs over a longer  
12 period of time and over more volumes. And it's  
13 reasonable, from a business perspective, to be pursuing  
14 that approach.

15 But the result is, you end up with a -- a  
16 barbell of offerings in the market where you've got a  
17 focus on the four (4) and five (5) year offering and then  
18 the utility residing at this -- the three (3) month  
19 quarterly, offering.

20 MR. BOB PETERS: Back in 1991, when there  
21 were twenty-four (24) retailers or brokers in the  
22 Manitoba marketplace registered, were there any one (1)  
23 year or two (2) year offerings to consumers, do you know?

24 MR. GREG BARNLUND: Well, those were all  
25 buy-sell arrangements, so it was a -- a different world

1 in those days. It was not until 2000 when we were able  
2 to introduce Western Transportation Service in the market  
3 where a customer was able to contract for a discrete  
4 price and discrete terms and conditions for the supply  
5 and purchase of primary gas that -- that the ability for  
6 that pricing to be brought into this marketplace existed.

7 MR. BOB PETERS: All right. When we  
8 talked a few minutes ago about crossing the threshold  
9 into where the market was no longer competitive, is there  
10 a measurement that you can recommend the Board consider?

11

12 (BRIEF PAUSE)

13

14 MR. GREG BARNLUND: We wouldn't have a  
15 specific number available, I'm sorry.

16 MR. BOB PETERS: Are you suggesting to  
17 the Board that that threshold, from a competitive  
18 marketplace initially to a noncompetitive marketplace has  
19 been crossed in other Canadian jurisdictions?

20 MR. GREG BARNLUND: Well, we that -- I  
21 mean, typically the -- the market share or the  
22 participation rate even, say for example, look in  
23 Alberta. There's really three (3) unregulated  
24 participants that are involved in Alberta. There are a  
25 number of -- of marketers that are registered in Ontario,

1 I think probably ten (10) or so, in the residential  
2 market, but there's really only probably four (4) that  
3 are really significantly involved in that market, and two  
4 (2) are those marketers, I think, probably command by far  
5 the largest marketshare of the direct-purchase customer.

6 So it's hard to -- it's hard to really  
7 come up with a -- an exact definition.

8 MR. BOB PETERS: I recall -- and you may  
9 correct me if I'm wrong, but my recollection was in the  
10 Alberta service territories that you did provide some  
11 information on; it could've been PUB/CENTRA-2, there was  
12 a suggestion that the market penetration rate was  
13 approximately 20 percent. Do you recall that?

14 MR. GREG BARNLUND: I do. We estimated  
15 that it was -- it was difficult to obtain any information  
16 in terms of that, but we estimated that from looking at  
17 some regulatory filings.

18 MR. BOB PETERS: And you'd agree that  
19 that's approximately the same as Manitoba?

20 MR. GREG BARNLUND: It's in the  
21 neighbourhood, yes.

22 MR. BOB PETERS: In those other  
23 jurisdictions that you've now told the Board about where  
24 there's been a -- a maturation, if I can, I'm not sure if  
25 you've told the Board that the threshold has been crossed

1 and now those marketplaces are also no longer  
2 competitive.

3 MR. GREG BARNLUND: Well, you know, I  
4 reflect on some of the discussions that went on in  
5 Ontario with regards to the Natural Gas Forum, and there  
6 was some concern expressed in regards to that proceeding,  
7 whether -- whether workable competition, you know,  
8 existed in that market, and what steps needed to be taken  
9 to ensure that workable competition would be supported  
10 and maintained in that market.

11 MR. BOB PETERS: Was there any suggestion  
12 in those other jurisdictions that the local distribution  
13 company enter the market and can provide up other service  
14 offerings rather -- other than a default offering?

15 MR. GREG BARNLUND: In Ontario, I believe  
16 the incumbent LDCs -- both Union and Enbridge -- had made  
17 presentations in those proceedings seeking approval to  
18 offer some additional product offerings in addition to  
19 their system gas supply.

20 And I recall -- in terms of British  
21 Columbia, Terasen Gas in 2004 to 2000 -- the end of this  
22 year -- had a fixed-price offering that they had  
23 introduced to that marketplace at -- in 2004.

24 MR. BOB PETERS: But, Mr. Barnlund, just  
25 to complete that. Terasen has now been effectively

1 ordered in BC to discontinue their fixed-price offering,  
2 isn't that correct?

3 MR. GREG BARNLUND: There is a -- a  
4 number of things that happened in British Columbia.

5 One (1) of the things was that Terasen was  
6 ordered to wind up that particular offering, but they  
7 were encouraged to bring forward an application by an  
8 unregulated affiliate, if they so wished, to provide that  
9 type of service offering.

10 In May of this year, Terasen formed an  
11 affiliate and made application to the British Columbia  
12 Utilities Commission for a licence for a marketer.

13 Their's was the only licence that was  
14 subjected to a hearing. And there was a written hearing  
15 that was undertaken in -- well, from May until the end of  
16 July this year -- where there was significant amount of  
17 examination and scrutiny placed on Terasen's affiliate in  
18 terms of their role and their rules that would govern  
19 their actions in terms of that gas market and their  
20 activities as an unregulated participant in the market.

21 And, as it turns out, Terasen withdrew  
22 their application prior to a decision being rendered by  
23 the BCUC with regards to that, so.

24 MR. BOB PETERS: Thank you for that  
25 information, Mr. Barnlund.



1                   And in -- in Ontario, why don't you just  
2 complete the discussion by telling the Board what has  
3 transpired, if anything, with respect to Union and  
4 Enbridge's request for additional product offerings?

5                   MR. GREG BARNLUND:    Yes.  Through the  
6 course of the Natural Gas Forum, there was obviously a  
7 number of presentations made by interested participants  
8 in addition to the Utilities, marketers and other groups  
9 -- customer groups.

10                   The customer representative groups were  
11 generally in support and in favour of the LDCs providing  
12 these additional offerings into the market.  However, the  
13 OEB chose to rule that the LDCs should be restricted in  
14 terms of providing simply more of a default primary gas  
15 or system gas offering, and were denied the opportunity  
16 to offer more flexibility in terms of their options to  
17 customers.

18                   MR. BOB PETERS:    Thank you for that, Mr.  
19 Barnlund.  One of your previous answers referenced a  
20 pricing of a hundred and eighty dollars (\$180) for a  
21 retailer to acquire a customer.  And that was Centra's  
22 estimate?

23                   MR. GREG BARNLUND:    It's information that  
24 we saw.  If you can just give me a second, please.

25

1 (BRIEF PAUSE)

2

3 MR. GREG BARNLUND: It's a quarterly  
4 financial report filed August 18th by Energy Savings'  
5 income trust, and it refers to their -- their financials  
6 that they would disclose on a regular quarterly basis to  
7 investors and to regulators. And they describe in that  
8 document, the gross margins and the marketing and  
9 acquisition costs for different types of customers.

10 MR. BOB PETERS: Mr. Chairman, I -- I'm  
11 going ask Mr. Barnlund to -- to provide a copy of that to  
12 the Board, but I -- I do want Mr. Hoaken to have an  
13 opportunity to review that and determine with his clients  
14 whether there's any proprietary information putting it on  
15 the public record.

16 So I'll make that request and we can -- we  
17 can do that after the proceedings close today; decide  
18 whether it will be put forward. But I do want to mark it  
19 as a undertaking that I think the Board would like to see  
20 to understand where you got that figure from.

21 MR. GREG BARNLUND: I can also tell you  
22 that this information in the public domain and it's  
23 available to all public investors, so.

24 MR. ERIC HOAKEN: Yeah, that's what I was  
25 going to say, is it's my understanding what Mr. Barnlund

1 is referring to is a public filing. We have no issue of  
2 that.

3 MR. BOB PETERS: All right. Then I'll  
4 just repeat my request and we'll have it filed as an  
5 undertaking so the Board can review it as well.

6 MR. GREG BARNLUND: Yes, we will.

7  
8 --- UNDERTAKING NO. 3: Centra to provide to the  
9 Board the quarterly financial  
10 report, filed August 18th by  
11 Energy Savings income trust  
12

13 CONTINUED BY MR. BOB PETERS:

14 MR. BOB PETERS: I did note that Mr.  
15 Stauff had a different figure when he was estimating the  
16 cost of marketing, did you hear that?

17 MR. GREG BARNLUND: Perhaps you could  
18 refresh my memory?

19 MR. BOB PETERS: Well, my memory says, he  
20 -- he valued it at approximately fifty dollars (\$50) per  
21 customer.

22 MR. GREG BARNLUND: I do recall that now,  
23 yes.

24 MR. BOB PETERS: And you're not able to  
25 reconcile those two (2) numbers that -- that are now

1 before the Board?

2 MR. GREG BARNLUND: No, I would -- I -- I  
3 really don't know where -- what basis he has for that  
4 number.

5 MR. BOB PETERS: Mr. Stephens, here's one  
6 (1) for you. I took from Mr. Stauff's evidence, a  
7 suggestion that there was pressure exerted by the buy-  
8 sell offerings from retailers that forced Centra  
9 suppliers to sell closer to market price. If I  
10 understood that to be his evidence, which it may or may  
11 not have been; but is that true or is that false?

12 MR. HOWARD STEPHENS: In the early years  
13 of deregulation, certainly consumers benefited -- all  
14 consumers benefited from the fact the marketplace was  
15 deregulated and we moved closer to the marketbase prices.

16 MR. BOB PETERS: Was that as a result,  
17 though, of the buy-sell offerings that retailers were  
18 offering that -- that your suppliers were seeing their  
19 marketshare eroded and they then decided to come to you  
20 with different pricing mechanisms?

21 MR. HOWARD STEPHENS: Yeah, it's --  
22 you're getting me into kind of a long story here. Where  
23 do I begin? We were tied to long-term fixed price  
24 contracts, 1985, October 31, we had the Halloween  
25 Agreement signed. We were given a year to transition to

1 a new regime with respect to deregulation where buyers  
2 and sellers could fre -- I mean, freely negotiate between  
3 them, each -- every -- between each other and provide --  
4 like, right into the market transparency and the true  
5 market value of -- of the product.

6 Prior to that, the -- the cost of natural  
7 gas was determined by the federal government. In 1984, I  
8 believe it was, that Mr. Lougheed and Mr. Trudeau had a  
9 bit of a tete-et-tet as to what the price should be, and  
10 did finally come to a conclusion with respect to the  
11 National Energy Program. And during the National -- I  
12 mean, there's a part and parcel of the National Energy  
13 Program, that gave the federal government the power to  
14 fix oil and gas prices.

15 And the ultimate objective was for gas  
16 prices to be 70 percent of the wholesale City Gate Price  
17 in -- in Toronto. And in that process, they were  
18 increasing the price of gas every six (6) months by fifty  
19 cents (50) an MCF. And had that process progressed past  
20 the point that it did, it would've made -- and certainly  
21 we, from the gas side of the business, were very  
22 interested in this development because it was going to  
23 make use noncompetitive within a couple of years.

24 And it was only as a result that the  
25 market became deregulated that prices dropped. We had --

1 I mean, it -- and coincidentally, because the price of  
2 natural gas was tied to oil, the oil prices dropped and  
3 natural gas prices dropped significantly. So our  
4 contract prices were now way out of the money.

5 And, at that point in time, our suppliers  
6 were ordered to disassemble their marketing arms; I mean,  
7 develop separate marketing arms, and they were prepared  
8 now to provide discounts until such time as we were --  
9 had the mechanisms in place for customers to access their  
10 own gas.

11 They were providing discounts to large-  
12 volume customers that were at risk as a result of being  
13 able to convert over to fuel oil. Now that's a lot to  
14 absorb in a few words, so I don't know if I can help you  
15 anymore with that, Mr. Peters. In fact, I've forgotten  
16 what the question is.

17 MR. BOB PETERS: As did -- as did I. But  
18 -- but thank you for that historical view. I -- I was  
19 trying to get at whether or not it was the pressure from  
20 the retailers and their offerings that caused changes to  
21 the way Centra was procuring and pricing its gas.

22 And I'm not sure if -- if that's the right  
23 was to look at it but.

24 MR. HOWARD STEPHENS: Well we were -- we  
25 were still tied to the long-term pricing contracts, but



1 forwarding it back to you, Mr. Barnlund, in terms of the  
2 competitive marketplace that does or doesn't exist in  
3 Manitoba, I'm going to summarize what you've told the  
4 Board; in essence that, for the hundred and fifty (150)  
5 large-volume commercial and industrial customers, there  
6 is a competitive marketplace, and for those hundred and  
7 fifty (150) potential customers, approximately fewer than  
8 fifty (50) of them are on direct purchase, but you  
9 believe it's a competitive place.

10 MR. GREG BARNLUND: Yes, that's true.

11 MR. BOB PETERS: And then when we turn to  
12 the SGS and the LGS customer class, there's closer to  
13 fifty thousand (50,000) in the SGS class alone,  
14 residential SGS, that are on direct purchase through a  
15 WTS arrangement, and your telling the Board that is not a  
16 fully competitive marketplace?

17 MR. GREG BARNLUND: For reasons other  
18 than the number of customers you mentioned, it's not a  
19 competitive marketplace.

20 MR. BOB PETERS: And when we got past  
21 the number of brokers, it came down to the number of  
22 service offerings was probably the major reason that the  
23 corporation has in suggesting that. Would that be fair?

24 MR. GREG BARNLUND: That's correct.

25 MR. BOB PETERS: And, as we sit here



1 today, and I know Mr. Warden in his direct evidence to  
2 Ms. Murphy talked about some service offerings that he  
3 was aware of; is the company aware of all of the service  
4 offerings that are now available to the small commercial  
5 customers or the residential customers in Manitoba by  
6 retailers?

7 MR. GREG BARNLUND: We have some  
8 information that we went on to Save Energy Shop web site,  
9 and you can see what offers are available. Aside from  
10 that, it's -- it's a little bit more difficult.

11 I know that, for example, Direct Energy  
12 posts their offers on their web site and it's quite easy  
13 to obtain that information. If you go onto the eNRG  
14 Savings web site, for example, you really have to submit  
15 a request to them for them to contact you to provide you  
16 with any offer information.

17 I was unable to obtain any pricing  
18 information from the eNRG Savings Corporation web site.

19 MR. BOB PETERS: And so on the Direct  
20 Energy web site you saw that there were two (2)  
21 commercial -- small commercial offerings?

22 MR. GREG BARNLUND: I was only looking at  
23 the residential offerings so I didn't go on to the  
24 commercial offerings. Sorry.

25 MR. BOB PETERS: But part of your concern

1 before the Board is that you believed the LGS class,  
2 which is predominantly the commercial customers, they're  
3 not served in a -- in a truly competitive environment  
4 either.

5 MR. GREG BARNLUND: Well, I think I said  
6 to the extent that the majority of those customers are  
7 small volume customers, similar, more akin, to a  
8 residential volume; that is the reason is why we  
9 categorize the two (2) together. We had to do some  
10 cutoff, make some adjustments somewhere so, so be it.

11 MR. BOB PETERS: Let me fast forward it  
12 before I lose the thought.

13 Mr. Warden indicated in his opening  
14 comments that Centra is asking through this process to be  
15 allowed to provide alternative service offerings; did I  
16 get that correct?

17 MR. VINCE WARDEN: Yes, Mr. Peters,  
18 that's correct.

19 MR. BOB PETERS: And you did indicate  
20 that you didn't have the specifics of those arrangements  
21 contemplated at this point in time.

22 But I took your evidence to suggest to the  
23 Board that you're looking for a green light from the  
24 Board to come back with some alternative service  
25 offerings?

1 MR. VINCE WARDEN: That's correct.

2 MR. BOB PETERS: Mr. Warden, is -- are  
3 those alternative service offerings for the SGS class, or  
4 for the LGS class, or for both?

5 MR. VINCE WARDEN: They would be for  
6 both.

7 MR. BOB PETERS: That is, the same  
8 offering would apply to both classes; is that the  
9 thinking of the Corporation?

10 MR. GREG BARNLUND: Potentially yes, but  
11 it's going to depend upon the nature of the offering that  
12 we come up with.

13 MR. BOB PETERS: All right, we'll come  
14 back to that in some detail later.

15 I also took from Mr. Warden's comments  
16 through Ms. Murphy, that from the Corporation's  
17 perspective, they would want to go and fill what they  
18 perceive is a void in the market, and that is where there  
19 currently is no retailer offering a product that the  
20 Corporation feels is wanted by its customers.

21 Did I interpret that correctly?

22 MR. VINCE WARDEN: Yes, Mr. Peters. I  
23 think I said in my direct evidence that we would most  
24 likely be pursuing that first, given the agreement of  
25 this Board that that's the appropriate thing to do. But

1 we would most likely be looking at one (1), two (2) year  
2 terms for any initial offering that we would propose.

3 MR. BOB PETERS: Now, I know my notes are  
4 out of order now, Mr. Warden, but if -- if you came  
5 before this Board in these proceedings and there was a  
6 one (1) year, a two (2) year, a three (3) year, a four  
7 (4) year, a five (5) year offering from one (1) or both  
8 of the two (2) retailers that service the market now,  
9 would the Corporation have the same position that they  
10 should be allowed to provide an alternative product?

11 MR. VINCE WARDEN: Yes, we would. And I  
12 wouldn't want my remarks to be interpreted that we should  
13 be restricted to the one (1) or two (2) year. We would  
14 like to have the flexibility to offer a mix of products,  
15 including three (3), four (4), five (5).

16 MR. BOB PETERS: But you acknowledge that  
17 there's no void in that marketplace right now?

18 MR. VINCE WARDEN: Well, just following  
19 on the discussion that you've just had with Mr. Barnlund  
20 and Mr. Stephens, there -- there could be considered to  
21 be a void, to the extent that the market, competitive  
22 market, isn't flourishing with only two (2) service  
23 providers.

24 MR. BOB PETERS: Is there anything in  
25 your request, Mr. Warden, for changes in your ability to

1 make primary gas offerings to the approximate one hundred  
2 and fifty (150) customers in the high volume commercial  
3 and industrial classes?

4 MR. VINCE WARDEN: No.

5 MR. BOB PETERS: I want to turn to an  
6 issue about the Corporation's current involvement and  
7 exposure, risk exposure, in the supplying of gas right  
8 now.

9 Can you tell me whether Centra has an  
10 obligation to backstop retailers or brokers who supply  
11 any of those one hundred and fifty (150) high volume  
12 industrial and commercial customers we talked about?

13 MR. GREG BARNLUND: Let me try answering  
14 it in this fashion.

15 The fifteen (15) T-Service customers that  
16 we talked about that are under Transportation Service  
17 Agreements with the Utility, have essentially signed away  
18 the Utility's obligation to provide them with natural gas  
19 and transportation to the City gate.

20 Our obligation is to receive their gas at  
21 the City gate and move it to their facility. So,  
22 typically, we are not contractually obligated to backstop  
23 those supplies.

24 MR. BOB PETERS: Just let me interrupt  
25 you there, Mr. Barnlund, if I could. Those supplies are

1 not insignificant because one (1) of those T-Service  
2 customers is a -- is a very high percentage of your --  
3 your annual throughput.

4 MR. GREG BARNLUND: Yes, sir.

5 MR. BOB PETERS: And collectively we can  
6 -- we can look at the volumes, and I know Mr. Kuczek was  
7 going to provide us with some revised information, but in  
8 any event a very -- a very significant portion of your  
9 load comes through those T- Service customers.

10 MR. GREG BARNLUND: Yes, sir.

11 MR. BOB PETERS: And you're telling the  
12 Board that it's the Corporation's position that there is  
13 no obligation, legal or otherwise to supply gas to those  
14 customers in the event that their retailer is unable to  
15 supply them?

16 MR. GREG BARNLUND: Yes, sir.

17 MR. BOB PETERS: That is not to say is  
18 it, Mr. Barnlund, that if -- if the T-Service customers  
19 phoned up the Corporation and said, look it -- we need  
20 gas, can you get it to us, we'll pay, you might be able  
21 to get Mr. Stephens to work his magic and find gas  
22 somewhere in North America to bring to Winnipeg?

23 MR. GREG BARNLUND: I'm sure he would.

24 MR. BOB PETERS: And he would bring it  
25 here and the only question would be the price that was

1 going to be charged?

2 MR. GREG BARNLUND: I think that's  
3 correct, yes.

4 MR. BOB PETERS: All right.

5 MR. HOWARD STEPHENS: Or we have done  
6 that precisely -- I mean, precisely that sort of thing  
7 for our customers who are in short in supply and we have  
8 found supply and provided it to them at cost.

9 MR. BOB PETERS: Those are T-service  
10 customers you're talking about, Mr. Stephens?

11 MR. HOWARD STEPHENS: I believe so, yes,  
12 it was.

13 MR. BOB PETERS: And even though you  
14 didn't have a legal obligation to provide that supply,  
15 you did it in terms of good client or customer service?

16 MR. HOWARD STEPHENS: All the good  
17 customer service and the margin on the -- movement of the  
18 gas through our system doesn't hurt us either.

19 MR. BOB PETERS: I thought you said it  
20 was at no cost -- at no additional cost.

21 MR. HOWARD STEPHENS: But we still have a  
22 transportation cost in our distribution system.

23 MR. BOB PETERS: So while you didn't mark  
24 up the molecules, you made your money on the  
25 transportation through your system?

1 MR. HOWARD STEPHENS: It's in our  
2 interest to keep the pipes full.

3 MR. BOB PETERS: All right. And I  
4 suppose on that point, Mr. Warden, is it correct that  
5 Centra is financially indifferent as to who supplies the  
6 molecules to the SGS and the LGS customers?

7 MR. VINCE WARDEN: As far as our bottom  
8 line is concerned, yes, that's correct.

9 MR. BOB PETERS: Mr. Barnlund, you were -  
10 - you were helpful enough to tell the Board that with the  
11 T-Service customers, approximately fifteen (15) in  
12 number, there was no obligation to provide any  
13 backstopping.

14 I wanted to go then to -- through some of  
15 the other high volume commercial and industrial classes.  
16 And for customers who are served under WTS arrangements  
17 does Centra consider they have an obligation to backstop  
18 the retailer that is used by the customer?

19 MR. GREG BARNLUND: I believe that our  
20 terms and conditions indicate that we would endeavour to  
21 do so on a best efforts basis.

22 MR. BOB PETERS: And best efforts is not  
23 specifically defined, to your knowledge?

24 MR. GREG BARNLUND: Not specifically but  
25 it certainly has a connotation that we would undertake as



1 much activity as we possibly could to be able to arrange  
2 those supplies if we needed to.

3 MR. BOB PETERS: For any other of the  
4 large volume customers, excluding the T-Service customers  
5 that Mr. Stephens has told us about, has the Corporation  
6 had to use best efforts to backstop a broker?

7 MR. HOWARD STEPHENS: I think I  
8 alluded to this at the GRA that we did have one (1) --  
9 one (1) broker that phoned on Christmas Eve indicating  
10 that he was going to the Barbados and could I look after  
11 his load for him while he was away so -- and it was a  
12 very small group of customers. So from the perspective  
13 we were more than pleased to help him out. That was in  
14 the very early days of deregulation and the -- and the  
15 Alberta buy/sell.

16 MR. BOB PETERS: Do you recall that  
17 being, Mr. Stephens, for a higher volume WTS customer?

18 MR. HOWARD STEPHENS: No, that was a very  
19 small group of residential customers --

20 MR. BOB PETERS: All right. That's what  
21 I was coming to. But for the other customers in the --  
22 that are listed on Tab 2 of the book of documents, in the  
23 classes of even the LGS, the high-volume firm, the  
24 mainline firm, or the interruptible you don't recall  
25 having to backstop them and use your best efforts?

1                   MR. HOWARD STEPHENS:    Other than the one  
2   (1) example I've given you no, I haven't.  We haven't had  
3   any -- had any occasion to backstop broker -- broker  
4   supplied customers.

5                   MR. BOB PETERS:    All right.  And that --  
6   that answer applies also then to the SGS class.  It's  
7   that just that one (1) occasion that you recall back in  
8   the wild west where you -- you helped somebody out as --  
9   as a Christmas gift?

10                  MR. HOWARD STEPHENS:   Well, I didn't want  
11   to be in the newspaper saying we froze somebody out of  
12   their house.  I guess that's the -- I mean, the point  
13   that I want to make and Mr. Barnlund alluded to it,  
14   certainly the large customers that are on T-service have  
15   signed off and acknowledged the fact that we have  
16   absolutely no responsibility.  They've waived that res --  
17   I mean, responsibility that we normally carry, in terms  
18   of obligations to serve, and a similar sort of situation  
19   exists with the WTS service.

20                  But in the case of a failure to supply  
21   under WTS service, although we only have a best efforts  
22   qualification associated with that, I don't think it  
23   would be in our interest to let customers freeze in the  
24   dark just because the brokers haven't made the supply  
25   available.

1                   We would do everything we could do to get  
2 the gas to the customers and it would really be an  
3 exercise in terms of sorting out what the costs  
4 associated with -- with it would be.

5                   MR. BOB PETERS:    What you're telling the  
6 Board in that answer, again, Mr. Stephens, is that, if  
7 there was any broker failure, you have a high degree of  
8 confidence, if not certainty, that you could arrange a  
9 supply of molecules to -- to fill that void and the only  
10 question that you would be left with is that the price at  
11 which you could do that?

12                   MR. HOWARD STEPHENS:   Well, I think  
13 you've taken me one (1) step further than I would've --  
14 would've gone, in terms of -- yes, I have, I mean, a  
15 fairly high degree of confidence -- whether that's  
16 different from a high degree or not, I guess that's  
17 splitting hairs. But I can imagine a circumstance where  
18 is -- where's there's no large number of customers that  
19 were no longer going to have gas, we may not be able to  
20 acquire it all, but there is gas on the pipeline.

21                   And then it comes to making a decision as  
22 to whether or not you're going to let customers go  
23 without gas in the system or just overrun and pay the  
24 consequences associated with that, I guess the decision I  
25 would make is to pay the -- I mean, pay the penalties

1 associated and take the gas and minimize our losses with  
2 respect to it.

3 MR. BOB PETERS: All right. When you --  
4 you may want to walk down the hall before you make that  
5 decision and that might be an executive decision that the  
6 Corporation would have to make, would that be correct?

7 MR. HOWARD STEPHENS: That's correct.

8 MR. BOB PETERS: And in -- in making that  
9 decision, Mr. Stephens, I'm under -- understanding you to  
10 say to the Board, in the worst case scenario you could  
11 always take off TCPL, in an unauthorized fashion, enough  
12 gas to meet the needs of your customers?

13 MR. HOWARD STEPHENS: Not for a long  
14 time, but for a day until we were able to make other  
15 arrangements or a portion of a day, we could do that,  
16 yes.

17 MR. BOB PETERS: Let's deal with what is  
18 the worst-case scenario that -- that the Corporation sees  
19 and I'm -- I'm not sure if Mr. Warden would look at it  
20 from this perspective, but if for any reason the retailer  
21 servicing the residential market were unable to deliver,  
22 you have the same confidence, Mr. Stephens, that you  
23 would be able to supply their customers on a best efforts  
24 basis?

25 MR. HOWARD STEPHENS: I think I have to

1 qualify my answer 'cause it -- would it -- depend upon  
2 the nature of the outage on their part, and if it's  
3 something that would also inhibit our ability to serve  
4 the market then, I mean, obviously I'm not going to be in  
5 a position to help them because we will likely be  
6 suffering the same consequences.

7 MR. BOB PETERS: Okay. Well, perhaps a  
8 good clarification. What you're telling the Board is  
9 that if there was a -- a physical impairment of the  
10 pipeline facility, for example, that affects Centra as  
11 well as the retailers, you just simple couldn't get  
12 enough gas to the marketplace and there -- even though  
13 you used your best efforts, you wouldn't be able to meet  
14 it?

15 MR. HOWARD STEPHENS: Well, I won't say  
16 that we wouldn't be able to meet it. We have other  
17 resources available to us, but I think that that gets  
18 into a lot of detail that we don't nec -- I mean,  
19 necessarily need to deal with here.

20 But we do have access to storage. I'd be  
21 talking to the pipelines in terms of moving gas backwards  
22 on the system to satisfy our requirements.

23 MR. BOB PETERS: Okay. But in terms of  
24 the worst case scenario, I want to see how far I can push  
25 you to the point where Mr. Warden has to cut a cheque for

1 -- for this problem. Is there financial exposure to  
2 Centra under the worst-case scenario?

3

4 (BRIEF PAUSE)

5

6 THE CHAIRPERSON: That's an important  
7 question. We'll let Centra ponder for five (5) minutes,  
8 but we'll be back for sure in five (5) minutes.

9 MR. BOB PETERS: Thank you.

10

11 --- Upon recessing at 3:19 p.m.

12 --- Upon resuming at 3:30 p.m.

13

14 THE CHAIRPERSON: Okay, Mr. Peters.

15

16 CONTINUED BY MR. BOB PETERS:

17 MR. BOB PETERS: Mr. Stephens, before the  
18 break I think you were thinking about an answer to the  
19 question I asked you. So why don't you refresh our  
20 memory.

21 MR. HOWARD STEPHENS: Rest of the  
22 question?

23 MR. BOB PETERS: And the -- and the  
24 answer.

25 MR. HOWARD STEPHENS: That's your job.

1                   MR. BOB PETERS:    I was asking you about  
2   envisioning the worst-case scenario and the financial  
3   exposure that you would have to the Company.

4                   And I'm wondering is -- in the example  
5   that I was giving you, that would be, if for some supply  
6   reason as opposed to a physical supply reason, the  
7   retailer servicing the SGS market weren't able to deliver  
8   to their approximate fifty thousand (50,000) SGS  
9   customers, the Corporation would, again, use their best  
10  efforts, would they not?

11                  MR. HOWARD STEPHENS:    I think this is a  
12  situation where -- I mean, you're talking in an emergency  
13  situation, and -- and we pull out the stops -- all the  
14  stops -- in terms of trying to make good in terms of  
15  holding the load and making sure -- I mean, and I'm  
16  envisioning, you know, a very cold day in January. And  
17  if we have concerns with respect to the amount of gas  
18  that we're going to get we are going to acquire that gas  
19  one way or another to ensure that we hold the load.

20                  We'll sort the costing part of it out  
21  after the fact.

22                  MR. BOB PETERS:    Now, you've told the  
23  Board you've never had to do that to date, correct?

24                  MR. HOWARD STEPHENS:    No, we've been  
25  lucky. I mean, the closest we came -- and that really

1 gave me pause to sit and think about this -- was when  
2 Rapid City -- TransCanada had the difficulty they had at  
3 Rapid City. Thankfully, that circumstance occurred in  
4 the middle of the summer and we hadn't had very much  
5 load.

6                   If we would have had a similar  
7 circumstance in the middle of the winter, we would be in  
8 a very tight situation.

9                   MR. BOB PETERS: All right. Now for  
10 those who recall, the Rapid City was a rupture on the  
11 TCPL pipeline, correct?

12                   MR. HOWARD STEPHENS: That's correct.

13                   MR. BOB PETERS: Now the example that  
14 I've given to you is let's not -- let's assume it's not a  
15 physical limitation on the pipes but it's just a supply  
16 problem, where the supply to approximately fifty thousand  
17 (50,000) SGS customers is not deliverable. And I think  
18 you've told the Board you would still use your best  
19 efforts -- and that's the obligation you believe you have  
20 -- to supply those customers on WTS?

21                   MR. HOWARD STEPHENS: Well, I think  
22 there's two (2) obligations.

23                   There's a legal obligation, which we don't  
24 have. But we have an ethical or moral obligation to make  
25 sure that our customers are served. They are connected



1 to our pipes, so from there...

2 MR. BOB PETERS: All right. Perhaps  
3 that's a distinction that highlights your answer, Mr.  
4 Stephens.

5 And in using your best efforts on an  
6 ethical basis you run the risk of having to pay more than  
7 what Nexen would regularly charge you for your primary  
8 gas, correct?

9 MR. HOWARD STEPHENS: Nexen may not be  
10 part of the picture at all. I mean, who knows where I'll  
11 get the gas. So it's a very hypothetical situation that  
12 we're talking about, Mr. Peters.

13 There would be -- I mean -- I mean, it's  
14 not something we would just do in isolation. I would be  
15 in touch with TransCanada if I was going to overrun their  
16 pipe and tell them, Look it, we're short this much gas,  
17 we're going to have to take it off your system. It's not  
18 been nominated -- this is not following the appropriate  
19 protocol. I understand all that but I expect that you  
20 will provide me with the gas.

21 And if we have to do something further  
22 upstream, we will do that as well.

23 And certainly, I mean, they're not going  
24 to turn me down because I don't think they would want the  
25 press saying that they refused us the gas and we couldn't

1 serve grandma on Main Street.

2 MR. BOB PETERS: All right. And the  
3 point we have to try to now get to, Mr. Stephens, is that  
4 to service those customers -- and you're taking the gas  
5 off of TransCanada -- that will come at a price that  
6 could very well be higher than what you are paying under  
7 your long-term arrangement with your supplier?

8 MR. HOWARD STEPHENS: It would be very  
9 likely if we just take gas off the TransCanada system  
10 that we haven't nominated, it will be at a significantly  
11 higher price because they have penalty provisions.

12 Now, it depends on what we agree to when -  
13 - when I have that dialogue with them in terms of taking  
14 extra gas and their position on the pipeline with respect  
15 to line pack, it may have a very minimal impact on our  
16 system given the amount of capacity they have going by  
17 here and we would have to look at all of those things in  
18 terms of determining the price.

19 MR. BOB PETERS: Okay. And I appreciate  
20 that we're talking hypothetical and we have no history on  
21 which to base this discussion but you are telling the  
22 Board that the gas may come at a significantly higher  
23 cost, you're not sure and that would be a cost that they  
24 would invoice you for; correct -- invoice Centra for?

25 MR. HOWARD STEPHENS: That's correct.



1 yes.

2 MR. BOB PETERS: All right. So let's  
3 just be clear then that if -- if the customers refuse to  
4 pay it, you still believe that the obligation to pay it  
5 would -- would rest with the -- with the retailers for  
6 whom you provided the backstopping service?

7 MR. GREG BARNLUND: I think more  
8 technically the first stop would be at the marketer and  
9 if for some reason the marketer was unable to satisfy  
10 that financial commitment that we have through our terms  
11 and conditions of service with the WTS customers, the  
12 ability to pass that cost on directly to those customers.

13 MR. BOB PETERS: You've never had to do  
14 that yet?

15 MR. GREG BARNLUND: Not to our knowledge,  
16 no.

17 THE CHAIRPERSON: Mr. Stephens, are you  
18 aware of any similar type situation in North America in  
19 the past?

20 MR. HOWARD STEPHENS: No, sir, I can't  
21 think of one. I mean, your -- your question is very  
22 encompassing and wide and nothing comes to my mind  
23 immediately. I can think of other circumstances but not  
24 this type of circumstance.

25 THE CHAIRPERSON: Thank you.

1

2 CONTINUED BY MR. BOB PETERS:

3 MR. BOB PETERS: Mr. Stephens, because  
4 we're topping -- talking hypothetical here, have you  
5 quantified for Mr. Warden's benefit what that risk  
6 exposure might be to the Company that they'd have to get  
7 an invoice from a supplier or TransCanada?

8 MR. HOWARD STEPHENS: We do risk analysis  
9 with respect to different scenarios and assess risk --  
10 the probability associated with that risk. It's an  
11 exercise we've just gone through, as a matter of fact,  
12 and as part and parcel of that, we try to give an order  
13 of magnitude in terms of the cost or the risks associated  
14 with certain events happening and I have provided them  
15 with -- or the Working Committee with respect to that  
16 with those numbers.

17 MR. BOB PETERS: Because I guess I've  
18 gone down that this road, is that something you're  
19 prepared to share with the Board?

20 MR. HOWARD STEPHENS: I'm not certain at  
21 what stage the evaluation of the risks -- risk  
22 assessments that have been provided are, so from that  
23 perspective, I wouldn't want to commit to providing  
24 something that's not fully cooked.

25 MR. BOB PETERS: Can you tell the Board

1 the order of magnitude of the financial risk that -- that  
2 you determined?

3 MR. HOWARD STEPHENS: I'm sorry, Mr.  
4 Peters, I just don't recall. We're talking in the  
5 hundreds of millions of dollars and that's a pretty bleak  
6 situation.

7 THE CHAIRPERSON: Somewhat larger than  
8 your retained earnings, Mr. Stephens?

9

10 (BRIEF PAUSE)

11

12 CONTINUED BY MR. BOB PETERS:

13 MR. BOB PETERS: Mr. Stephens --

14 MR. HOWARD STEPHENS: Sorry, Mr.  
15 Chairman, I didn't get your question.

16 THE CHAIRPERSON: Just a comment. I  
17 suggest that it might be higher than your retained  
18 earnings.

19 MR. HOWARD STEPHENS: I guess we need to  
20 -- I mean, rein in just -- I mean focus as to what it is  
21 that we're talking about. If -- if we're running short  
22 gas on the order of 50,000 gigajoules, we're not talking  
23 about the worst-case scenario that I just referenced in  
24 terms of hundreds of millions of dollars.

25 It could -- I mean, it -- it's a function

1 of how much gas we're not going to get on that day. And  
2 the duration that it occurs and a number of other  
3 variables.

4 MR. BOB PETERS: Can you tell the Board  
5 how, if at all, you secure that risk with the retailers  
6 for whom you may be providing the backstopping service?

7 MR. HOWARD STEPHENS: It's part and  
8 parcel of the agreement that they sign in -- in the WTS  
9 service.

10 MR. BOB PETERS: And there's no financial  
11 bond or surety available against which to realize, that  
12 you're aware of?

13 MR. HOWARD STEPHENS: We have very strict  
14 credit requirements and to the extent that we feel that  
15 we need financial assurances, we do require those of the  
16 brokers.

17 MR. BOB PETERS: Mr. Stephens, is there  
18 an obligation for brokers to have a two (2) year rolling  
19 supply of their volumes under contract?

20 MR. HOWARD STEPHENS: That was the  
21 finding of the Board kind of coming out of the 1998 Board  
22 Order. And so I would have to say yes.

23 MR. BOB PETERS: That might have been the  
24 Order 119 of '91 that you're -- you're thinking about.  
25 I'll just leave that reference with you.

1                   But in any event, does Centra monitor the  
2 two (2) year rolling supply or take some assurance that  
3 it's available?

4                   MR. GREG BARNLUND:    I believe that the  
5 reference to the two (2) year rolling supply is not in  
6 our jurisdiction or not in our arrangement with the  
7 broker through WTS.  But I believe that it is a  
8 requirement or an item that's identified in the  
9 registration forms that the broker would have to execute  
10 with the Public Utilities Board to obtain their broker  
11 licence for Manitoba.

12                  MR. BOB PETERS:    Thank you for that, Mr.  
13 Barnlund.

14                  When you talked about the credit  
15 worthiness, Mr. Stephens, does Centra monitor the ongoing  
16 credit worthiness of the -- of the retailer or counter  
17 party that -- that you're engaged in the WTS arrangements  
18 with?

19                  MR. HOWARD STEPHENS:    We do.

21   (BRIEF PAUSE)

22  
23                  MR. BOB PETERS:    Mr. Warden, turning to a  
24 new issue, are there economic benefits for residential  
25 customers who sign up for direct purchase?



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(BRIEF PAUSE)

MR. ROBIN WIENS: Mr. Peters, I guess it depends on what you mean by "economic benefits."

MR. BOB PETERS: Well, that's interesting because I had -- my next question was -- whatever the answer was, I wanted you to define what they -- what they were, Mr. -- how you defined economic benefit, Mr. Wiens, and good to hear from you today.

But how -- how do you -- do you -- do you perceive economic benefits to be financial only?

MR. ROBIN WIENS: No, I don't, Mr. Peters, but we could -- that's probably the most obvious definition you could make and -- and you could take a look at -- to the extent we have it on the record, the costs that broker customers have paid under contract compared with what, as best to our ability, we're able to determine they would've paid had they stayed with system supply.

And what you'll find is that, under that definition of economic benefits, some customers have benefited and some have disbenefited. If the purpose of the customer was to save money, one would have to say that not all customers achieve that particular benefit.

If the purpose of the customer in going

1 with a long-term contract was to lock in a price and  
2 avoid volatility, regardless of whether they were going  
3 to save or not, then before you could say they achieved  
4 an economic benefit, I guess you would have to know how  
5 they valued that particular benefit.

6 MR. BOB PETERS: That would be the same  
7 answer, Mr. Wiens, whether it was a fixed price offering  
8 from a current retailer or a fixed price offering from  
9 Centra; would you agree with that?

10 MR. ROBIN WIENS: Yes, it would seem that  
11 it -- it shouldn't matter what the source of it is.

12

13 (BRIEF PAUSE)

14

15 MR. BOB PETERS: When we discuss with  
16 you, probably now tomorrow, Mr. Wiens, about Centra's  
17 request of the Board for a green light so they can have  
18 alternative -- alternative products in the marketplace,  
19 is it Centra's suggestion that one (1) of the reasons  
20 they want to do that is to provide economic benefits to  
21 their customers?

22 MR. ROBIN WIENS: Mr. Peters, customers  
23 have expressed a desire for that type of -- for -- for  
24 Centra to enter into that market, and the idea of  
25 entering into that market would be to meet the demands or

1 requirements of customers.

2 MR. BOB PETERS: Mr. Wiens, when did the  
3 Corporation first understand customers were expressing a  
4 desire for the Utility to be in the fixed price market?

5 MR. LLOYD KUCZEK: Well, there's no clear  
6 answer to a point in time that we realized that, but the  
7 -- the market research that we just undertook is  
8 suggesting that.

9 MR. BOB PETERS: But the market research  
10 was undertaken and concluded after you had filed your  
11 evidence in this case, though; isn't that correct?

12 MR. LLOYD KUCZEK: Correct.

13 MR. BOB PETERS: So before you filed your  
14 evidence, on what did you rely to suggest that the  
15 customers were expressing a desire for Centra to enter  
16 into the fixed price offerings?

17 MR. LLOYD KUCZEK: Well, we've had a  
18 number of discussions since, I guess, we undertook the  
19 market research in '04.

20 There was some indication in the market  
21 research in '04 that customers had an interest in  
22 Manitoba Hydro also offering a multiple service  
23 offerings. And so since that time, we've been discussing  
24 whether or not we should be pursuing that.

25 MR. BOB PETERS: You'd agree with me, Mr.

1 Wiens, that it -- it has always been open to Centra,  
2 through an unregulated affiliate, to offer to meet the  
3 demands of that customer group that was asking for  
4 alternate service offerings?

5 MR. ROBIN WIENS: I believe so, yes.

6 MR. BOB PETERS: Can you tell the Board  
7 why Centra chose not to, at any point heretofore, to have  
8 an unregulated affiliate offer those competitive  
9 offerings?

10 MR. VINCE WARDEN: Mr. Peters, maybe I'll  
11 answer that question.

12 And it's simply one of -- one of cost. We  
13 have a structure set up now within Centra that can offer  
14 fixed-price contracts, fixed-price alternative products  
15 with minimal incremental costs.

16 If we were to set up a separate affiliate,  
17 however, there would be a lot of duplication of services,  
18 and those costs would be such that it's not something we  
19 would want to do.

20 MR. BOB PETERS: Do I take from that  
21 answer, Mr. Warden, that if you had to do it outside of  
22 the regulated Utility, you wouldn't be able to offer as  
23 cheap a price to consumers?

24 MR. VINCE WARDEN: Yes, absolutely. And  
25 I guess it does get back to your original question of

1 economic benefits to customers.

2                   Whereas we would certainly do this because  
3 of -- partly because of customer demand and the want on  
4 the part of the Utility to provide customers with choice.  
5 I, personally, would have a hard time recommending such a  
6 product if there wasn't economic benefits to customers,  
7 ultimately.

8                   MR. BOB PETERS:    And how will -- how will  
9 you measure those economic benefits, Mr. Warden?

10                   MR. VINCE WARDEN:   Well, I think we would  
11 -- we would, first of all, measure them -- those benefits  
12 against the variable rate that we're currently offering  
13 today. And we would attempt to -- we would definitely  
14 benchmark against that variable rate to see whether or  
15 not we could offer a more attractive price to customers  
16 with a fixed term.

17                   Now of course with the variable rate,  
18 there would be some risk associated with -- with whatever  
19 we did offer, but I think that's why, in my opening  
20 remarks, we -- or I talked about a shorter term one (1)  
21 or two (2) years, so it would be something that would be  
22 manageable and measurable over a short -- a shorter  
23 period of time rather than going into -- immediately into  
24 a longer term contract.

25                   MR. BOB PETERS:    I'll come back to that

1 comment about minimal incremental cost, Mr. Warden, but  
2 just to help me think about it overnight: Are you  
3 suggesting that the cost to offer the product would be  
4 cheaper inside the Utility as compared to outside the  
5 Utility?

6 MR. VINCE WARDEN: Yes.

7 MR. BOB PETERS: And are you telling the  
8 Board that there would be cross-subsidization of the  
9 costs of keeping it inside the Utility?

10 MR. VINCE WARDEN: No, no, I didn't  
11 suggest that.

12 MR. BOB PETERS: And you're suggesting  
13 just the opposite that you wouldn't want to cross-  
14 subsidize any fixed price offering that the corporation  
15 makes?

16 MR. VINCE WARDEN: We would not want to  
17 cross-subsidize any fixed price offerings with the  
18 variable product, no.

19 MR. BOB PETERS: And you would expect  
20 this Board would ensure that you weren't cross-  
21 subsidizing one rate group for another?

22 MR. VINCE WARDEN: Well I wouldn't want  
23 to pre-suppose what the Board might want -- might order,  
24 but I think that would be a reasonable direction of the  
25 Board.

1                   MR. BOB PETERS:    When you talked to me  
2 about measuring the economic benefits of any fixed price  
3 offering compared to the variable rate, should the Board  
4 understand that answer to mean, customers choosing -  
5 appreciate it's a hypothetical - Centra fixed price  
6 offering, let's say one (1) year in duration, will pay  
7 less on their annual gas bill than those who are on  
8 variable rates?

9                   MR. VINCE WARDEN:   Not necessarily, but I  
10 think over time if we -- if we were to offer this  
11 product, one (1) year product just as an example, and we  
12 were to being doing this for -- and we had the benefit of  
13 history to compare the fixed price offering to the  
14 variable offering, if we consistently were higher priced  
15 then the variable product, then I think we might want to  
16 reassess whether it's the right thing to do for  
17 customers.

18                  MR. BOB PETERS:    You might want to  
19 withdraw your one (1) year offering?

20                  MR. VINCE WARDEN:   Possibly.

21                  MR. BOB PETERS:    Do I take from that  
22 answer that there will be customers you envision who will  
23 pay more on an annual basis under your hypothetical fixed  
24 price offering than those who were on system supply?

25                  MR. VINCE WARDEN:   I think that's -- that

1 could be the case, yes.

2 MR. BOB PETERS: And there will be some  
3 who may pay less?

4 MR. VINCE WARDEN: That could be as well.

5 MR. BOB PETERS: Depending on the price  
6 at which they would lock into this hypothetical one (1)  
7 year offering?

8 MR. VINCE WARDEN: Correct.

9 MR. BOB PETERS: When you told the Board  
10 that you wouldn't want there to be cross-subsidization of  
11 any alternative offering by other customer classes, do I  
12 take from your answer that you would be still using the  
13 assets of Manitoba Hydro to offer the product; is that  
14 correct?

15 MR. VINCE WARDEN: Correct.

16 MR. BOB PETERS: But you would be costing  
17 them and charging them to the various rate options that  
18 you'd be offering?

19 MR. VINCE WARDEN: In order to ensure  
20 that there is no cross-subsidies, we would have to have a  
21 mechanism to do that, yes.

22 MR. BOB PETERS: I'm mindful of a  
23 discussion that I had with Dr. Van Audenrode, and a  
24 suggestion that currently the retailers are selling a  
25 different product than Centra.



1                   Is that your view, Mr. -- Mr. Warden, Mr.  
2 Wiens?

3                   MR. VINCE WARDEN:   Well the commodity is  
4 the same, it's packaged differently, yes.

5                   MR. BOB PETERS:    To the economist, Mr.  
6 Wiens, that makes it a different product?

7                   MR. ROBIN WIENS:    It's a -- it's a  
8 substitute, but it's not a perfect substitute.

9                   MR. BOB PETERS:    Can you explain that  
10 answer to me, sir? Why isn't it -- why is it not a  
11 perfect substitute?

12                  MR. ROBIN WIENS:   Well the fixed price  
13 product has certain different -- I mean, the molecules of  
14 gas are the same molecules of gas, but the fixed price  
15 product has the price stability attribute which some  
16 customers will -- will put a value on, and that will be  
17 more appealing to that group of customers.

18                  So, to that extent, you're talking about a  
19 somewhat different market. However, although they may  
20 not be perfectly substitutable one for the other, owing  
21 to consumer preferences, there is a degree of  
22 substitution. If a customer can't get one, they will  
23 still utilize the other.

24                  MR. BOB PETERS:    Is it a valid  
25 comparison then, Mr. Wiens, to compare the financial cost

1 of the variable product to the financial cost on an  
2 annual basis to the fixed price offering?

3 MR. ROBIN WIENS: Strictly on its own,  
4 no, it's not. But customers will do that anyway because  
5 they are looking at products that, to some degree, have a  
6 degree of substitution between them.

7 In the same way as they'll evaluate the  
8 costs and benefits of locking in a mortgage for one (1),  
9 two (2) or five (5) years versus going with a floating  
10 rate mortgage.

11 Price will be one of the things that  
12 they'll consider.

13 MR. BOB PETERS: And whether consumers on  
14 a hypothetical Centra fixed price one (1) year contract  
15 compared to the variable offering of the Corporation,  
16 whether the consumer ends up paying less for their  
17 primary gas or more for their primary gas will simply be  
18 a function of whatever happens in the market?

19 MR. ROBIN WIENS: Yes.

20 MR. BOB PETERS: And that's not  
21 predictable at the time the customer puts ink to paper  
22 and signs up?

23 MR. ROBIN WIENS: Well, of course it's  
24 not perfectly predictable, otherwise the customer would  
25 have a lot less difficulty making their choice.

1                   They have to go on the basis of  
2 information that has accumulated over time and to which  
3 the customer may have some awareness or may not.

4                   MR. BOB PETERS:    So to the extent that  
5 Mr. Warden wants to measure the performance of any  
6 variable -- sorry, any fixed rate offering to the --  
7 compared to the variable offering of the Corporation as a  
8 benchmark, that won't be a proper economic comparison?

9                   MR. ROBIN WIENS:    Well, it will be one  
10 among a number of factors that have to be considered.

11                  MR. BOB PETERS:    All right.  And when you  
12 say "among other factors," we've got the price; our  
13 annual impact; we've got the desire for getting away from  
14 rate volatility.

15                  What other factors were you thinking of,  
16 Mr. Wiens?

17                  MR. ROBIN WIENS:    Well, the customer's  
18 own degree of risk aversion or risk tolerance.

19                  MR. BOB PETERS:    Would you agree, Mr.  
20 Wiens, from an economic perspective - if you can speak  
21 from that point - that Centra would be looking for a  
22 different segment of the market than what the retailers  
23 are currently marketing towards?

24                  MR. ROBIN WIENS:    I would think that's  
25 possible, Mr. Peters.  In both cases, you're talking



1 has a degree of validity, but it's not the only element  
2 that you'd want to look at that's valid.

3 MR. BOB PETERS: Well, you did agree with  
4 me, Mr. Wiens, that when a customer starts a fixed price  
5 contract, no one will really know where the market will  
6 go by the time the end of that contract has expired?

7 MR. ROBIN WIENS: That's correct.

8 MR. BOB PETERS: And so whether or not  
9 the consumer has saved money on their primary gas  
10 compared to system supply or paid more than system  
11 supply, is a function of matters that are out of their  
12 control?

13 MR. ROBIN WIENS: Once they've signed the  
14 contract, that's correct.

15 MR. BOB PETERS: Mr. Chairman, I want to  
16 a different area, and I think this might be an  
17 appropriate time to take the -- the adjournment for the  
18 day and I could commence again at nine o'clock tomorrow  
19 morning?

20 THE CHAIRPERSON: We look forward to the  
21 beginning of your questions again, Mr. Peters. See you  
22 all tomorrow.

23

24 --- Upon adjourning at 4:00 p.m.

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Certified Correct,

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Wendy Warnock, Ms.