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REFERENCE NO: 003991-0133

September 29, 2021

Via Email

The Public Utilities Board
226 - 408 York Avenue
Winnipeg MB R3C 0C4

Attention: Ms. Rachel McMillin, Assistant Associate Secretary

Dear Ms. McMillin,

**Re: Consumers Association of Canada (Manitoba) Inc. (CAC Manitoba) –
Intervenor Evidence in the Centra Rate Re-bundling Application Process**

Please find attached Intervenor Evidence of CAC with respect to the Rate Re-Bundling Application.

If there are any questions with respect to the above, please feel free to contact me.

Yours truly,

DD WEST LLP

Per:

A handwritten signature in blue ink, appearing to read 'Brian J. Meronek', is written over a light blue horizontal line.

Brian J. Meronek, Q.C.
BJM / yw

c.c. PUB and Counsel

Calgary

Airdrie

Regina

Winnipeg

MANITOBA PUBLIC UTILITIES BOARD

**CENTRA GAS MANITOBA INC.
RATE RE-BUNDLING APPLICATION**

**Evidence Prepared By
Darren Rainkie & Kelly Derksen**

**On Behalf of
Consumers' Association of Canada (Manitoba Inc.) (CAC Manitoba)**

September 29, 2021

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1.0 Executive Summary

Centra's existing unbundled rate structure was approved by the PUB in Order 19/00 to facilitate the introduction of WTS in May of 2000 and consists of five components: (1) Primary Gas (2) Supplemental Gas (3) Transportation to Centra (4) Distribution to Customer and (5) Basic Monthly Charge.

Centra is requesting PUB approval to re-bundle the rate structure to consist of three components, effective November 1, 2022: (1) Gas Commodity Charge (2) Delivery Charge and (3) Basic Monthly Charge, and to migrate the delivery point for WTS from Empress to the AECO gas hub. Centra is not requesting any rate changes from the PUB as a result of the Application.

The purpose of this evidence is to evaluate Centra's rate re-bundling proposals and was conducted by applying a three-pronged evaluation framework, including policy, stakeholder engagement and implementation analysis.

1.1 The Existing Unbundled Rate Structure was an Outcome of Policy Considerations with Respect to Competition in Manitoba, with Emphasis on Customer Education & Information

The existing unbundled rate structure was both informed by and a direct outcome of, policy considerations with respect to the future direction of competition in the natural gas market in Manitoba and unbundling of Centra's services, in two major PUB regulatory proceedings. In addition, the PUB emphasized customers having the appropriate education and information to make informed decisions in an evolving competitive natural gas landscape and encouraged Centra to engage interested parties in narrowing issues and designing customer research to improve and expedite public hearing processes.

The primary thrust of the directive that has resulted in this Application was related to the distinction between Primary and Supplemental Gas and the implications for competitive supply of natural gas commodity in Manitoba and to ensure that rates reasonably reflect the nature of and commensurate costs of the underlying services. The issue of potential bill simplification appears to be a secondary issue.

1.2 Centra is Formally Requesting to Implement a Single Gas Commodity Rate & Migrate the WTS Delivery Point from Empress to AECO, Effective November 1, 2022

In the rate re-bundling Application, Centra is formally requesting approval of the following changes to be effective no earlier than November 1, 2022 that can be summarized as follows:

1. Replacement of the existing Primary and Supplemental Gas components with a single Gas Commodity rate component;
2. Replacement of the existing Primary Gas PGVA with a new Gas Commodity PGVA and transfer of the residual balance into the new PGVA;
3. Creation of a new Commodity Cost Balancing Deferral (CCBD) account and associated CCBC rate rider to recover/refund the pricing differential between AECO and non AECO gas;

4. Quarterly adjustment of the CCBD rate rider as part of the quarterly Gas Commodity rate applications; and
5. The migration of the WTS delivery point from Empress to the AECO gas hub.

There are a number of consequential changes that result from the formal approval requests of the PUB, which Centra is not seeking approval in this Application, including (1) changes to Terms & Conditions of Service, (2) adjustments to the Cost Allocation Methodology, (3) combining Transportation & Distribution rates for bill presentation purposes (4) changes to Centra's Fixed Rate Primary Gas service and (5) disposition of the October 31, 2022 Supplemental Gas PGVA balance.

1.3 Centra's Reasons for Application include Bill Simplification, Reduced Administrative Complexity & Ensuring Fair Retail Competition

In Centra's view, it is proposing a gas sales rate structure and related changes that are based on and consistent with stakeholder and customer feedback, which will add value to customers by:

- Simplifying the presentation of natural gas sales rates on customer bills;
- Reducing the complexity of administering gas related charges; and
- Ensuring that retail competition remains on a fair and level playing field.

Centra's position is that its proposals represent customer-centric improvements given that the existing unbundled rate structure causes confusion for customers and that the interpretation of the results of recent Customer Research demonstrate that customers primary interest in their natural gas bills is consumption and amount owing, and that customers have a strong preference to change to a simplified version of the natural gas bill.

1.4 Policy Analysis: The Customer Research is Inconclusive as to Whether the Rate Re-bundling Proposals Represent Customer-Centric Improvements as Was Interpreted by Centra

The policy analysis questions that if the main driver of Centra's Application is customer-centric improvements, then it is inconclusive if there is compelling information from the Customer Research to demonstrate this assertion, and can be summarized as follows:

- There is no updated policy context in the Application with respect to the current or future state of competition in the natural gas sector in Manitoba/Canada or the rate structures of comparable natural gas LDC's in Canada, to inform the PUB decision making process;
- There are no stated ratemaking objectives to evaluate if the Centra 100% weighting of the implicit objective of simplicity is optimal or reasonable;
- Centra confirmed that cost savings from reduced administrative complexity of gas rates was not a main driver of the Application and that it did not develop a cost/benefit analysis to justify the rate re-bundling initiative;

- It is not clear from the evidence to date if the rate re-bundling proposal will provide greater market access to WTS Marketers and greater price certainty to the WTS customers; and
- The Customer Research is Inconclusive as to whether the rate re-bundling proposals represent customer-centric improvements as was interpreted by Centra. In the Customer Research, a majority (66%) of customers indicated that showing the rate components on the bill provides useful information and a minority (32% to 33%) of customers indicated that mock bills with re-bundled rate components represents a significant improvement as compared to the existing unbundled natural gas rate structure.

1.5 Stakeholder Engagement Analysis: It Appears there Was a Missed Opportunity for Additional Stakeholder Engagement in Advance of the Filing of the Application

Centra engaged with Stakeholders at the front end of the rate re-bundling initiative and this is viewed as being a proactive step by Centra. At that time, CAC recommended that there be additional Stakeholder engagement sessions to consider the results of consumer engagement, other potential bill simplification options, the cost/benefits of various options and to better understand the technical workings of Centra's proposals. However, there was no further engagement with CAC between the Customers Focus Groups in February-March of 2020 and the filing of the Application in March of 2021.

There appears to be a missed opportunity for additional stakeholder engagement in advance of filing the Application, particularly with CAC, to discuss the results of the Customer Focus Groups and whether there was a compelling justification to move forward with the rate re-bundling proposals.

1.6 Implementation Analysis: There are a Number of Concerns that Need to be Considered and Resolved if the PUB Approves All or a Portion of Centra's Rate Re-bundling Proposals

The implementation analysis raises a number of concerns that need to be considered and resolved if the PUB approves all or a portion of the rate re-bundling proposals, which can be summarized as follows:

- There are a number of outstanding matters which are deferred to future regulatory processes which creates concerns with respect to the impact on the PUB decision making and the timing of these future processes;
- It appears that the original intent of the directive in Order 65/11 to undertake a comprehensive rate structure review has not been addressed in the Application; and
- It is unclear whether Centra's application to combine firm and interruptible supplemental gas to facilitate bill simplification is justifiable from a cost-causation perspective and whether the differences in the services warrant continued cost distinction.

2.0 Introduction & Purpose of Evidence

This section of the evidence provides a brief overview of the qualifications of Mr. Rainkie and Ms. Derksen and outlines the purpose and organization of the evidence.

2.1 Overview of Qualifications

Through a joint regulation consulting practice, Mr. Rainkie and Ms. Derksen offer services to a wide range of clients that participate in and are impacted by rate-regulation and regulatory proceedings. In this proceeding, Mr. Rainkie and Ms. Derksen are providing evidence on behalf of the Consumers' Association of Canada (Manitoba Inc.) (CAC Manitoba).

Mr. Rainkie has over 30 years of experience and expertise in rate-regulation, utility and financial management and specializes in regulatory/ratemaking policy and strategy and revenue requirement and fiscal matters. Mr. Rainkie's full curriculum vitae is attached as Appendix A to this evidence.

Ms. Derksen has over 25 years of experience and expertise in energy regulation and ratemaking and specializes in cost of service and rate design matters. Ms. Derksen's full curriculum vitae is attached as Appendix B to this evidence.

2.2 Purpose & Organization of Evidence

The purpose of the evidence is to evaluate Centra Gas Manitoba Inc's (Centra) proposals with respect to re-bundling of its rate structure.

The sections of the evidence that follow are generally structured in chronological format and are organized in the following manner:

- Section 3.0 describes the historic context and drivers of the existing unbundled rate structure;
- Section 4.0 provides an overview of Centra's Rate Re-bundling application (Application) and the current drivers and justifications for the proposals;
- Section 5.0 provides the evaluation of Centra's rate re-bundling proposals based on the information and evidence on the record in this proceeding.

3.0 Historic Context/Drivers of the Existing Centra Unbundled Rate Structure

This section describes the historic context and drivers of the currently approved (existing) Centra unbundled rate structure. It is useful to understand the context and circumstances in which rate structures were originally approved when evaluating proposed revisions as well as the changes in circumstances that justify the proposed changes.

In its Application, Centra provides a short background indicating that it implemented unbundled natural gas sales rates in Manitoba in the 1999-2000 time period as directed by the Manitoba Public Utilities Board (PUB) and that¹:

“The unbundling of rates was intended to facilitate the introduction of the Western Transportation Service (“WTS”), for the development of a more vigorous competitive retail market for natural gas supply in Manitoba and to provide customers with greater market price and rate transparency.”

Additional observations from the review of the historical context are:

- 1) The existing rate structure was both informed by and a direct outcome of, policy considerations with respect to the future direction of competition in the natural gas market in Manitoba and unbundling of Centra’s services, in two major PUB regulatory proceedings;
- 2) The PUB policy determinations in the proceedings that led to the existing unbundled rate structure have emphasized customers having the appropriate education and information to make informed decisions in an evolving competitive natural gas landscape.
- 3) The PUB has traditionally encouraged the engagement of interested parties by Centra in narrowing issues and designing customer surveys and focus groups to improve outcomes and expedite public hearing processes in the prior regulatory proceedings; and
- 4) The primary thrust of the directive that has resulted in this Application was related to the distinction between Primary and Supplemental Gas and the implications for competitive supply of natural gas commodity in Manitoba and to ensure that rates reasonably reflect the nature of and commensurate costs of the underlying services. The issue of potential bill simplification appears to be a secondary issue.

3.1 The Existing Unbundled Rate Structure was Informed by and is an Outcome of Policy Considerations with respect to the Competitive Natural Gas Landscape in Manitoba

When developing new rate structures or considering the need for changes to existing rate structures, the first area of evaluation is to usually to consider the policy drivers and implications. Rate structures do not exist in a vacuum, they flow from policy issues and opportunities. The financial, cost allocation, and terms and conditions of service/administrative considerations are then the next layer of review once the policy objectives have been appropriately considered. All of these element’s flow into the ultimate design of rate structures.

¹ Centra Application, page 3

The existing unbundled rate structure was conceptually approved by the PUB in the WTS proceeding that resulted in Order 19/00. However, the origins of the WTS and the complimentary rate structure flowed from a 1996 PUB hearing to review the deregulation of the natural gas market in Manitoba and changes that should be made to the supply, procurement, transportation and storage of natural gas by Centra.

As part of the 1996 competitive landscape review, the PUB's decision was informed by the views and positions of numerous natural gas market participants and stakeholders with respect to a multiplicity of issues, including the current market conditions, recommended changes in the natural gas marketplace, competitive constraints, role of Centra in the changing marketplace, regulatory directives or legislative amendments that would be required to support changes, transitional considerations/timeframes, and dissemination of market information under the changed environment². This 1996 PUB review resulted in Order 15/98.

In the background section of Order 19/00, the PUB summarized its policy views with respect to deregulation and the future direction of competition in the natural gas market in Manitoba from Order 15/98³, with several highlights pertinent to the current Application, summarized as:

- Price transparency is required for a competitive market to develop;
- Educating customers about competitive aspects of the natural gas industry will be important and can only be achieved through greater price transparency;
- As customers receive more and better-quality information on price, supply terms and options, they make better choices as to the supplier of their gas commodity needs;
- Better and more informed customer choice would enhance the development of a more competitive market which should result in increased supply, decreased prices, and improved products, thereby benefiting customers;
- The maximum benefit will accrue to customers when more services are unbundled and each of these services is separately priced and billed;
- By segregating cost components to the greatest extent practical, the customers will be made aware of the various cost components of gas service which they are receiving; and
- Gas bills should at a minimum, be segregated into distinct components that define and indicate each of the commodity, transportation, storage and distribution cost components.

At the WTS proceeding, a number of interested parties summarized their views and positions on the future direction with respect to the further unbundling of Centra's services⁴ with the PUB ultimately finding that the implementation of the WTS to be an appropriate step in the evolution of an effective and workable competitive environment and that it was not in the public interest to delay the implementation of WTS until further unbundling of Centra services occurs.

² PUB Order 15/98, pages 6 to 7

³ PUB Order 19/00, pages 3 to 6

⁴ PUB Order 19/00, pages 10 to 14

In the WTS Application, Centra applied to unbundle its rates into the discrete components of Primary Gas, Storage & Peaking Gas, Transportation & Delivery Service and a Basic Monthly Charge and there was general agreement by the interested parties to the hearing. However, the PUB found that Storage & Peaking Gas should be renamed “Supplemental Gas” and there should be further unbundling of the gas bill, such that “Transportation to Centra” and “Distribution to Customers” were separate bill components. In the PUB’s view, it was important that customers be aware of the portion of the Transportation and Delivery Charge that represents costs over which Centra has no control, which would be segregated into the Transportation to Centra component of the bill⁵.

In addition to the summary of the background by Centra, a key observation from this brief review of the history of the unbundling of Centra’s rate structure is that the existing rate structure was both informed by and a direct outcome of, policy considerations with respect to the future direction of competition in the natural gas market in Manitoba and unbundling of Centra’s services, in two major PUB regulatory proceedings. Another key observation is that the policy determinations of the PUB in the proceedings that led to the outcome of the existing unbundled rate structure have emphasized customers having the appropriate education and information to make informed decisions in an evolving competitive natural gas landscape.

It is also noted that Centra had also recently completed a Cost of Service and Rate Design Methodology review close to the time of these regulatory proceedings and that review was guided by ratemaking objectives that reflected Centra’s anticipated policy direction.

3.2 The PUB has Traditionally Encouraged the Engagement/Collaboration of Market Participants in its Reviews of the Competitive Natural Gas Landscape in Manitoba & Associated Matters

The Centra WTS Application was filed with the PUB in June of 1999 and the public hearing to review the application was originally scheduled to commence in August of 1999. As a result of implementation issues, the public hearing was postponed to October of 1999. The PUB encouraged Centra and other stakeholders to meet in the interim to attempt to narrow the outstanding issues that existed between the parties and requested Centra to provide a report to it prior to the commencement of the rescheduled WTS hearing to summarize the results of the stakeholder meetings as well as any necessary amendments to the original application.

The PUB commended Centra for its efforts in providing leadership to the stakeholder consultation process which assisted with expediting the public hearing process and acknowledged the time and effort put forth by all parties who took part in the stakeholder process⁶.

In contrast, in the 2006 Competitive Natural Gas Landscape review, which resulted in Order 160/07, the PUB found that Centra and the market research firm that was engaged to elicit the views of natural gas customers, should have expended more time and effort to involve the natural gas brokers and CAC, in the design of the customer survey and focus groups. Additionally, the PUB found that if the customer survey and focus groups

⁵ PUB Order 19/00, page 18

⁶ PUB Order 19/00, pages 7 to 8

had been conducted with the full input of intervenors, the filing of evidence and cross-examination of witnesses would have been easier and conducted in much less contentious fashion, resulting in a more expedient and cost-effective proceeding. The PUB encouraged Centra to be mindful of this finding the next time it undertakes customer research⁷.

The observation from the above noted historic information, it that when there are regulatory proceedings that involve the consideration and potential adjustments to the competitive landscape in Manitoba and associated matters, the PUB has traditionally encouraged the engagement and collaboration of interested parties and market participants by Centra in both narrowing issues and designing customer surveys and focus groups in order to improve the outcomes and expedite public hearing processes.

3.3 The Spirit of the PUB Directive to Review the Rate Structure was to Ensure that Rates Reasonably Reflect the Nature of and Commensurate Costs of the Underlying Services

As part of the 2011/12 Cost of Gas proceeding, which resulted in Order 65/11, the PUB reviewed changes to Centra's gas transportation portfolio that resulted in Centra de-contracting and not re-contracting some of its firm capacity, in response to continued uncertainty and escalation of tolls on the TCPL Mainline. In order to maintain sufficient capacity to serve the load in Manitoba, Centra arranged for additional delivered service in shoulder months.

In that proceeding, CAC supported Centra's changes to its supply portfolio but noted that the increased reliance on delivered service means that Supplement Gas was no longer used only when weather is colder than normal, but rather was now an integral part of Centra's normal weather supply portfolio. As a result, CAC suggested that the rate and service structure (specifically the distinction between Primary and Supplemental Gas), be reviewed in the upcoming review of the replacement of Centra's US storage and transportation assets⁸.

In the findings related to this matter, the PUB agreed with CAC that the review of the definitions of Primary and Supplemental gas was warranted and that this matter and Centra's overall rate structure should be considered in relation to the Cost of Service Study review that was underway. The PUB also found that the perspectives and implications for private marketers also needed to be considered, specifically whether marketers would be able to supply Supplemental Gas. The PUB went further to note that some other Canadian utilities only have a three-part rate structure for smaller customers and that combining Primary and Supplemental Gas charges, and/or the Transportation and Distribution charges, may help simplify Centra's rate structure⁹.

The PUB directed that Centra was to propose a process to review and obtain PUB approval of its rate and service structure, including the distinction between Primary and Supplemental Gas, by May of 2011¹⁰. Centra's Rate Re-bundling Application contains its response to this PUB directive.

⁷ PUB Order 160/07, page 39

⁸ PUB Order 65/11, pages 26 to 28

⁹ PUB Order 65/11, pages 28 to 29 and CAC/Centra 4 (a)

¹⁰ PUB Order 65/11, page 64, directive #14

The observation from the review of the directive that has led to the current Application is that the primary thrust of the directive was related to the changes in Centra's transportation portfolio and the distinction between Primary and Supplemental Gas and the implications for the competitive supply of natural gas commodity in Manitoba and to ensure that rates reasonable reflect the nature of and commensurate costs of the Services. The issue of a potential for bill simplification appears to be a secondary issue.

4.0 Overview of Centra's Rate Re-bundling Application & Supporting Reasons

This section outlines the underlying proposals that Centra is requesting formal PUB approval of in its Application and the associated reasons for these proposals, as well as other consequential changes where Centra is not requesting approval in this Application.

Centra's existing natural gas rate structure consists of five components or charges: (1) Primary Gas (2) Supplemental Gas (3) Transportation to Centra (4) Distribution to Customer and (5) Basic Monthly Charge. As noted in Section 3.1, this unbundled rate structure was conceptually approved by the PUB in Order 19/00 and facilitated the evolution of the competition in the natural gas sector in Manitoba and the introduction of the WTS service in May of 2000.

On March 23, 2021, Centra filed the Rate Re-bundling Application requesting PUB approval to Re-bundle the natural gas rate structure for bill presentation purposes to consist of three components or charges: (1) Gas Commodity Charge (2) Delivery Charge and (3) Basic Monthly Charge, and to migrate the delivery point for WTS from Empress to the AECO gas hub. There are also a number of other consequential changes to regulatory methodologies or processes as a result of these two requests.

The general observations from this section of the evidence are that in Centra's view, its proposals will add value to customers by simplifying the presentation of natural gas customer bill, reducing the complexity of administering gas related charges, and ensuring that retail competition remains on a fair and level playing field. In addition, Centra's proposals will essentially return its rate structure to be similar to that which existed before the implementation of WTS.

4.1 Centra is Formally Requesting to Implement a Single Gas Commodity Rate and Migrate the WTS Delivery Point from Empress to AECO, Effective November 1, 2022

In the Rate Re-bundling Application, Centra is formally requesting approval of the following changes to be effective no earlier than November 1, 2022, that can be summarized as follows¹¹:

1. **The replacement of the existing Primary Gas and Supplemental Gas components with a single Gas Commodity rate component:** The single Gas Commodity rate would be established in a similar manner as the current quarterly variable Primary Gas rate with the exception of being based on the forecast AECO supply costs (12-month AECO futures strip price and forecast cost of AECO supply in storage) rather than Empress Supply Costs, and would include a gas overhead component as is the case with the current Primary Gas rate¹². The Gas Commodity billed rate will be applied to all gas volumes consumed by Centra's system supply customers and the billing percentages currently required for Primary Gas and Supplemental Gas would be eliminated¹³;
2. **The replacement of the existing Primary Gas PGVA with a new Gas Commodity PGVA, and any residual balance in the Primary Gas PGVA transferring into the Gas Commodity PGVA:** A new Gas

¹¹ Centra Application, page 7

¹² Centra Application, pages 17 to 18

¹³ Centra Application, page 19

Commodity PGVA would track monthly supply inflows and outflows and the net balance will be used to calculate the a Gas Commodity rate rider to be applied to the base rate to establish a billed rate, in a similar manner that the Primary Gas rate rider is determined under current rates. The distinct Primary Gas and Supplemental Gas PGVA's would be eliminated¹⁴. As at November 1, 2022, any residual balance in the Primary Gas PGVA would be transferred to the Gas Commodity PGVA for quarterly disposition and this PGVA would be closed¹⁵;

3. **The creation of a new Commodity Cost Balancing Deferral (CCBD) account and associated CCBD rate rider:** The single Gas Commodity rate would be applied to all volumes consumed by system supply customers including non-AECO supply volumes, and as such, this rate will contribute to the recovery of both AECO and non-AECO supply costs. Given that there will be different costs of AECO and non-AECO supply, a new CCBD would be established to track this price difference and a CCBD rate rider would be calculated to recover or refund this difference in actual costs¹⁶;
4. **The quarterly adjustment of the CCBD rate rider as part of the quarterly variable Gas Commodity rate applications:** Centra proposes that the CCBD be disposed of on a quarterly basis as part of the quarterly variable Gas Commodity rate application (interim ex-parte approval by the PUB) commencing on February 1, 2023 (the next gas quarter after the proposed rate unbundling) and that the CCBD rate rider would be recovered from system supply, WTS and FRPGS customers in Centra's Distribution to Customer rate, which is similar to the current practice with Supplemental Gas rate riders. Final approval of both AECO and non-AECO costs would be sought in periodic Cost of Gas or General Rate Applications¹⁷; and
5. **The migration of the delivery point from Empress to the AECO gas hub for WTS:** Centra proposes to make the Gas Commodity rate an AECO-based rate and to make AECO the delivery point for WTS marketers¹⁸. The notional AECO hub is located on the NGTL pipeline system within Alberta, while Empress is the interconnection point between the NGTL system and the TCPL Mainline at the Alberta/Saskatchewan border¹⁹. With this change, WTS marketers would be able to manage their supply at AECO without any requirement to hold NGTL transportation capacity to Empress²⁰.

Centra is proposing that the changes to the natural gas rate structure become effective November 1, 2022 to provide WTS marketers sufficient notice and time (at least 12-months) to transition their supply arrangements from Empress to AECO including decisions to wind down or renew capacity²¹. In addition, Centra indicates that it will support the implementation of its proposed changes in the Application with a communication plan that would be undertaken in advance of the November 1, 2022 effective date to ensure customers have sufficient opportunity to understand the changes²².

¹⁴ Centra Application, page 18

¹⁵ Centra Application, page 25

¹⁶ Centra Application, page 22

¹⁷ Centra Application, pages 22 to 24 and CAC/Centra 18 (c)

¹⁸ Centra Application, page 19

¹⁹ Centra Application, page 4

²⁰ Centra Application page 20

²¹ Centra Application, pages 8 and 21 and CAC/Centra 6

²² Centra Application, page 9 and CAC/Centra 7 (d) (e)

Centra is not requesting any rate changes from the PUB in this Application but had included forecast gas costs and customer bill impacts for illustrative purposes only²³.

4.2 Consequential Changes Where Centra is Not Seeking PUB Approval in this Application

Within Centra's Application, there are a number of other changes to regulatory methodologies and processes that result from the formal approval requests of the PUB, for which Centra is not seeking approval in this Application. These are summarized as follows²⁴:

1. **Changes to Terms & Conditions of Service:** If the Application is approved, Centra indicates that changes will be required to its Terms & Conditions of Service, FRPFS materials and well as any related gas customer education materials, including its external website²⁵. Centra intends on seeking PUB approval of any such revisions following the outcome of this Application, prior to and to coincide with implementation on November 1, 2022;
2. **Adjustments to the Gas Cost Allocation Methodology:** Centra's proposed new natural gas rate structure would require changes to the gas cost allocation, including (1) updates to the definitions of two upstream functions, Production and Pipeline (2) consolidation of Primary, Supplemental Firm and Supplemental Interruptible classes into a single Gas Commodity Class (3) NGTL transportation costs and compressor fuel at Empress would now be treated as transportation costs and recovered in the Transportation to Centra rate and no longer treated as commodity costs. Centra plans to seek final approval from the PUB of these adjustments as part of the gas Cost of Service Methodology Review which was filed in June of 2021;
3. **Combining Transportation & Distribution rates for bill presentation only:** To further simplify the presentation of natural gas sales rates on customer bills, Centra is proposing the replacement of the existing Transportation to Centra and Distribution to Customer rate components with a single Delivery rate. As this change is for bill presentation purposes only, Centra indicates that it will continue to seek PUB approval of separate transportation and distribution rates. Centra would provide a breakdown of the Delivery rate into its Transportation and Distribution components on its external website;
4. **Changes to Centra's Fixed Rate Primary Gas Service:** As AECO would become the common commodity point for service, Centra intends to change the name of the service to Fixed Rate Gas Commodity Service (FRGCS), change the calculation of the forecast weighted average cost of gas (WACOG) and would no longer include transportation costs from AECO to Empress and TCPL compressor fuel costs at Empress in the WACOG calculation. Centra anticipates these changes would be effective August 2022 to enable it to commence offering FRGCS for a November 1, 2022 flow date; and
5. **Disposition of the Supplemental Gas PGVA:** Centra anticipates filing a Cost of Gas Application prior to the proposed implementation of rate re-bundling as of November 1, 2022 in which the outlook

²³ Centra Application, page 8

²⁴ Centra Application, pages 8, 20 to 22 and 25

²⁵ CAC/Centra 5

balance of the Supplemental PGVA and prior period balances at that time would be disposed of over a 12-month period with the associated rider being applied to the Distribution to Customer rate.

4.3 Centra's Reasons for Application include Bill Simplification, Reduced Administrative Complexity & Ensuring Fair Retail Competition

In Centra's view, it is proposing a gas sales rate structure and related changes that are based on and consistent with stakeholder and customer feedback and will add value to customers by²⁶:

- Simplifying the presentation of natural gas sales rates on customer bills;
- Reducing the complexity of administering gas related charges; and
- Ensuring that retail competition remains on a fair and level playing field.

In support of its Application, Centra provides the following list of issues and complications that in its view are associated with the existing unbundled rate structure²⁷:

1. **Customer phone survey indicating that a majority of respondents only look at consumption and amount owing:** The results of its January 2019 Customer Satisfaction Tracking Study (CSTS), which was a phone survey of 205 natural gas customers, which indicated that the consumption and dollar amount owing are of primary interest, only 30% of customers surveyed look at the components of their natural gas bill and approximately 62% of customers were unable to identify any components of their bill without prompting;
2. **Confusion for the customer:** The distinction between Primary Gas and Supplemental Gas is not well understood by customers and while the original intent of rate unbundling was to promote transparency and knowledge for the customer to facilitate an enhanced competitive landscape, customers have not demonstrated a desire for such information;
3. **Administrative complexity:** There is administrative complexity to maintaining the analytical and accounting requirements associated with two separate commodity rates, actual billing percentages of Primary and Supplemental Gas that are often inconsistent with the annual billing percentages based on forecast normalized weather, different billing percentages for different customer classes and significantly later billing adjustments that can appear non-sensical;
4. **Difficulties with disposing of Supplemental PGVA:** Low Supplemental billing percentages in warm years that require that Supplemental PGVA's are recovered through the Distribution rate on customers bills and the potential for negative net bills to high volume customers as Distribution base rates are insufficient to absorb significant Supplemental refund riders;
5. **Distorted price signals for Supplemental Gas:** The timing of Cost of Gas and GRA processes are such that the adjustment of Supplemental Gas rates are not reflective of current market prices;
6. **Difficulties for WTS Marketers in forecasting Primary Gas supply obligations:** WTS Marketers face weather-related volume uncertainty and uncertainty of the percentage of Primary Gas that they can supply to their customers;

²⁶ Centra Application, page 7

²⁷ Centra Application, pages 10 to 12 and 14 to 17

7. **Customers cannot fix a commodity rate on 100% of consumption:** WTS Marketers are not able to provide Supplemental Gas to their customers and as such, customers are not able to fix a commodity rate on 100% of their consumption; and
8. **Customer focus group study indicating that a majority of participants are in favour of changing to a simplified version of the natural gas bill:** The results of an in-person focus group study of six focus groups with 44 participants, which was conducted by Prairie Research Associated (PRA) in February and March of 2020, with PRA findings that most participants did not care about how natural gas charges are calculated, a majority of participants were in favour of a simplified natural gas bill and that those not in favour of the change took an idealistic stance that more information is better.

In Centra's view, its proposed changes would²⁸:

- Ensure that retail competition remains on a fair and level playing field (system supply, WTS customers and WTS Marketers not advantaged/disadvantaged),
- Reduce operational and administrative complexity,
- Ensure that Centra collects all of its upstream costs from customers,
- Maintain timely price signals and comparability between various competitive rate offerings; and
- Enable customers (system or WTS) to fix the rate on 100% of their commodity.

²⁸ Centra Application, pages 12 to 13

5.0 Evaluation of Centra Rate Re-bundling Proposals

This section of the evidence evaluates Centra's justifications, stakeholder engagement process and implementation plans related to the rate re-bundling proposals, based on current information and evidence on the record of this proceeding. The evaluation is conducted by applying a three-pronged evaluation framework to the rate re-bundling proposals:

- **Policy Analysis:** analysis of Centra's reasons and justifications for requesting the rate re-bundling;
- **Stakeholder Engagement Analysis:** analysis of the stakeholder engagement process that Centra used to develop its proposals; and
- **Implementation Analysis:** analysis of the proposed regulatory methodology and process changes that are necessary to implement the rate re-bundling and integrate it into Centra's overall rate-setting framework.

It is noted that for the purposes of the evaluation, Mr. Rainkie and Ms. Derksen were unable to gain access to the confidential or commercially sensitive portions of Centra's evidence.

The results of the policy analysis in Sections 5.1 to 5.5 and the stakeholder engagement analysis in Section 5.6 of this Evidence, is summarized as follows:

- There is no updated policy context with respect to the current or future state of competition in Manitoba/Canada or the rate structures of comparable natural gas LDC's in Canada;
- There are no stated ratemaking objectives guided by policy considerations to evaluate the rate design proposals in the Application;
- Centra confirmed that cost savings from reduced administrative complexity of gas rates was not a main driver of the Application;
- It is not clear from the evidence to date if the rate re-bundling proposal will provide greater market access to WTS Marketers and greater price certainty to the WTS customers;
- The Customer Research is inconclusive as to whether the rate re-bundling proposals represent customer-centric improvements as interpreted by Centra; and
- It appears that there was a missed opportunity for additional stakeholder engagement in advance of the filing of the Application.

The results of the implementation analysis in Sections 5.7 to 5.9 of this Evidence, are summarized as:

- There are a number of outstanding matters deferred to other regulatory processes;
- It appears that the original intent of the directive in Order 65/11 to undertake a comprehensive rate structure review has not been addressed; and
- It is unclear whether Centra's application to combine firm and interruptible supplemental gas to facilitate bill simplification is justifiable from a cost-causation perspective.

5.1 There is No Updated Policy Context of the Competitive Natural Gas Landscape to Inform the PUB Decision Making Progress for this Application

As noted in Section 3.1 of this Evidence, the existing Centra unbundled rate structure was informed by and an outcome of policy considerations with respect to the competitive natural gas landscape in Manitoba and the future state of unbundling of Centra's services.

The key observations from this aspect of the policy analysis in this Application are summarized as follows:

1. **There is no substantive evidence with respect to the policy context of the current or future state of competition in the natural gas sector in Manitoba:** The background sections of the Application contained one substantive paragraph on the unbundling of rates in 2000 and two paragraphs with respect to the origin of the PUB directive to review the rate structure from Order 65/11. There is no analysis in the Application of the current or future state of competition in the natural gas sector in Manitoba or the potential for further unbundling of Centra's services in the future. When Centra was requested to provide its views on the policy drivers of the Application, Centra simply reiterated the PUB directive and emphasized the customer-centric improvements of its proposals²⁹. It was confirmed that there is currently only one marketer serving small volume natural gas customers in Manitoba, while there were nine marketers in 2006³⁰; and
2. **There is no evidence with respect to the policy context of the current or future state of competition in the natural gas sector in Canada or the rate structures of comparable natural gas LDC's in Canada:** Further to point #1 above, there is no analysis in the Application of the current or future state of competition in the natural gas sector in Canada or the rate structures of comparable natural gas LDC's in Canada. When Centra was requested to provide its views on whether the rate re-bundling proposals are consistent with the transformational and disruptive forces that are impacting the energy sector (decarbonization, decentralization, deregulation, democratization and digitization), Centra simply referenced the same response as the request for its views on policy drivers. There was no analysis of the rate-structures of other comparable natural gas LDC's in Canada, despite the explicit reference in the PUB directive from Order 65/11 to other Canadian Utilities rate structures and the common practice of presenting information on other or comparable regulatory jurisdictions to provide context, options and risks to assist in PUB decision making in Manitoba.

In the absence of this policy context and information from other jurisdictions, it is difficult to assess whether it is a step backwards to return to a natural gas rate structure that is similar to that which existed prior to the introduction of WTS as there is a lack of policy context to inform the PUB decision making process for this Application. It is also difficult to understand if there are any significant changes in circumstances since Order 19/00 that justify the changes proposed in this Application.

²⁹ CAC/Centra 1 (a)

³⁰ DELM/Centra 1 (b)

5.2 There are No Stated Ratemaking Objectives Guided by Policy Considerations to Evaluate the Rate Design Proposals in this Application

It was noted in Section 3.1 of this Evidence, that Centra had also recently completed a Cost of Service and Rate Design Methodology review close to the time of the regulatory proceedings to review the competitive landscape and set the existing unbundled rate structure and that review was guided by ratemaking objectives that reflected Centra's anticipated policy direction.

The key observations from this aspect of the policy analysis in this Application are summarized as follows:

1. **It is generally accepted in rate-setting that the cost allocation methodology and approach to rate design should be based on a set of clearly enunciated principles:** There are a number of generally accepted attributes of a sound rate structure, including (1) effectiveness in yielding total revenue requirements (2) revenue stability and predictability (3) stability and predictability of the rates themselves (4) economic efficiency (5) fairness and equity (6) economic efficiency/conservation of resources and (7) simplicity, administrative ease, understandability, certainty, freedom from controversies as to proper interpretation³¹. It is also generally understood that there are compromises as ratemaking objectives are competing and that determining the optimal weighting or trade-offs between ratemaking principles in developing rates requires considerable judgement;
2. **Centra identified a number of key cost allocation and rate design principles as part of its recently filed Cost of Service Methodology Review:** In the Cost of Service Methodology Review, which was filed on June 15, 2021, Centra stated that its key principles of cost allocation and rate design include (1) cost-causality and fairness (2) recovery of revenue requirement (3) costs are to be segregated between those that are fixed and those that are variable (4) rates are established based on postage stamp ratemaking and (5) setting rates at unity³²; and
3. **In this Application, Centra appears to have afforded almost 100% weighting to the principle of simplicity:** The evaluation of these ratemaking objectives/criteria that Centra outlined in the Cost of Service Methodology Review application will be addressed as part of that regulatory process. For this Application, it is important to note that it appears Centra has implicitly adopted the principle of simplicity as the overriding objective in making its rate re-bundling proposals. This is despite the facts that simplicity has not been explicitly identified as providing guidance in either Application, and Centra's strict adherence to the cost causality objective as part of its Cost of Service Methodology Review.

In the absence of ratemaking objectives supported by policy direction, it is difficult to evaluate if the heavy weighting of the implicit objective of simplicity is optimal or reasonable.

³¹ The Principles of Public Utility Rates, James C. Bonbright, Albert L. Danielsen, David R. Kamerschen, Second Edition, 1988, pages 383-384

³² Centra Cost of Service Methodology Review Application, page 6

5.3 Centra Confirmed that Cost Savings from Reduced Administrative Complexity of Gas Rates is Not a Main Driver of the Application

As noted in Section 3.3 of the Evidence, Centra listed one of the three key reasons for the Application as being that the proposed rate re-bundling would add value to customers by reducing the complexity of administrating gas related charges.

The key observations from this aspect of the policy analysis in this Application are summarized as follows:

1. **Administrative costs savings from reduced administrative complexity is not a main driver of the Application:** Despite listing reduced administrative complexity as one of the three reasons for the Application, Centra confirmed in the information request process, that it did not include an expectation of cost savings in the Application as this was not a driver for rate re-bundling³³;
2. **Centra did not develop a cost savings estimate of the administration cost savings:** Further to point #1, and in the same information request, Centra indicated it did not develop a cost estimate of the administration cost saving given this is not a main driver for rate re-bundling; and
3. **Centra did not develop a Cost/Benefit or NPV analysis to justify the re-bundling initiative:** When requested to provide a cost/benefit or Net Present Value (NPV) analysis that supports the proposed changes in the Application, Centra indicated that the rate re-bundling exercise was undertaken in response to a PUB directive and as such no cost/benefit or NPV analysis was conducted and that this type of initiative to make customer bills more understandable was not well suited to quantitative analysis³⁴. It is noted that the estimated costs of the re-bundling initiative are in excess of \$0.5 million³⁵ and that an estimate of the costs of the rate re-bundling initiative were not provided to the Customer Phone Survey or Focus Group participants³⁶.

Through the above noted information, Centra has confirmed that administrative cost savings from reduced administration complexity are not one of the main drivers of the Application. It is interpreted that this is a tangential or secondary aspect of the reasons for the Application.

5.4 It is Unclear if the Rate Re-bundling Proposals would Provide Greater Market Access to WTS Marketers & Greater Price Certainty to Their Customers

In Section 3.3 of this Evidence it was noted that in the PUB findings that initiated the directive to review the rate structure, one of the concerns was the implications for private marketers and specifically, whether marketers would be able to supply Supplemental Gas.

As was noted in Section 4.3 of this Evidence, one of Centra's concerns with the existing unbundled rate structure, is that WTS Marketers are not able to provide Supplemental Gas to their customers and as such customers are not able to fix a commodity rate on 100% of their consumption. In the Application, Centra states that the elimination of Primary Gas, Supplemental Gas and associated billing percentages means that

³³ CAC/Centra 12 (c)

³⁴ CAC/Centra 12 (d) (e)

³⁵ PUB/Centra 16

³⁶ CAC/Centra 12 (g)

the WTS Marketers daily gas quantities provided to Centra will rise modestly relative to the status quo³⁷. Ensuring that retail competition remains on a fair and level playing field was one of the three key reasons that Centra listed in support of the Application.

The key observations from this aspect of the policy analysis in this Application are summarized as follows:

1. **Under the re-bundling proposal, Centra will continue to be the sole supplier of 100% of non-AECO gas:** Despite the assertion in the Application that WTS Marketers will have increased market share as a result of the Application, Centra confirmed that it will solely manage and provide 100% of non-AECO supply to customers, just as it currently supplies 100% of Supplemental Gas to all customers³⁸. As such, it is not clear how the WTS Marketers will increase their market share of gas supplies if the Application is approved by the PUB; and
2. **If Centra continues to be the sole supplier of 100% of non-AECO gas, then how can WTS Marketer customers fix 100% of their commodity costs:** This issue was explored in the information request process, with the response being that the Application will result in a level playing field in which all customers will be treated equally and since the CCBD does not represent a supply cost, but rather a cost differential, WTS Marketer customers can fix a single commodity rate on 100% of their consumption³⁹. As such, it is not clear if WTS Marketer customers will be able to fix 100% of their commodity costs.

From the record of the proceeding thus far, it is not clear if the rate re-bundling proposals provide WTS Marketers with greater market access and WTS Marketers customers with greater ability to fix the cost of their gas requirements. The responses to the above noted information requests are not clear in terms of the questions posed and it is not clear if this is an issue of misunderstanding or semantics. It is expected that these issues could be addressed and potentially resolved in Centra's rebuttal evidence and final argument in this proceeding.

5.3 The Customer Research is Inconclusive as to Whether the Rate Re-bundling Proposals Represent Customer-Centric Improvements as Was Interpreted by Centra

As was outlined in Section 3.3 of this Evidence, the rate re-bundling proposals are justified as being Customer-Centric improvements, based on Centra's interpretation of the results of a customer phone survey and focus group study, that can be summarized as follows:

- A majority of phone survey respondents indicating that they only look at the consumption and amount owing on their natural gas bill;
- Confusion by customers over the rate components of the natural gas bill; and
- A majority of focus group study participants indicating that they are in favor of changing to a simplified version of the natural gas bill.

³⁷ Centra Application, page 21

³⁸ CAC/Centra 19 (c)

³⁹ PUB/Centra 5 (d) (e)

While there is no one accepted definition of customer-centric, it is generally interpreted that this term is used by Centra to mean listening to customers and designing the business around the resulting customer input.

The following pie charts summarize the results of the Customer Phone Survey and Focus Group Study:

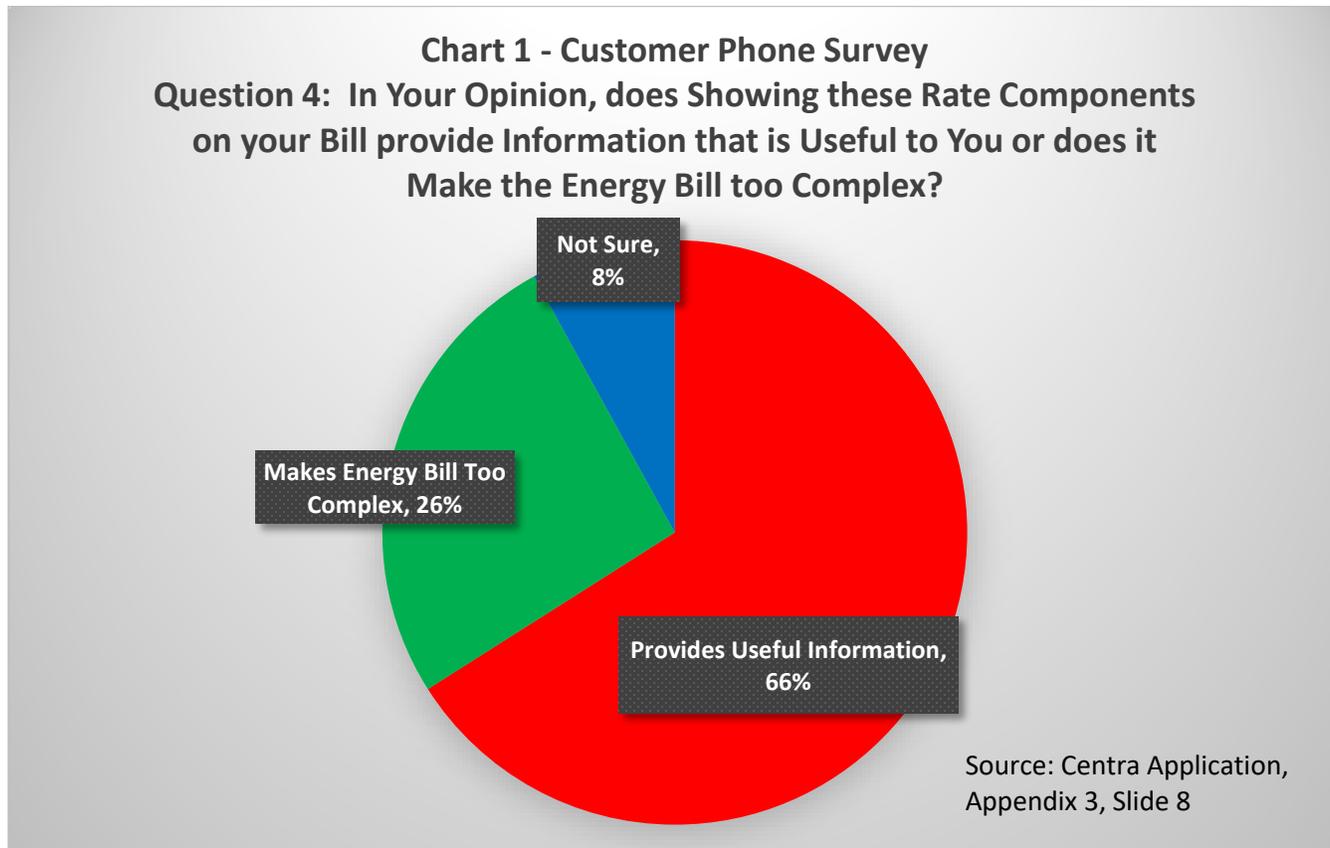
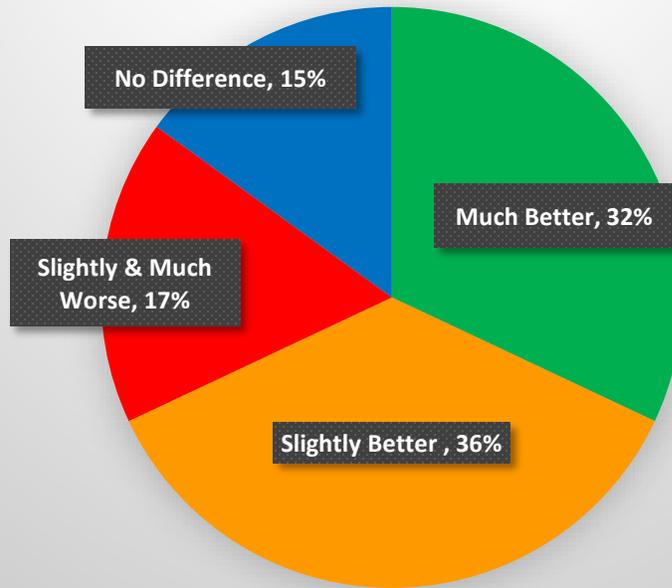
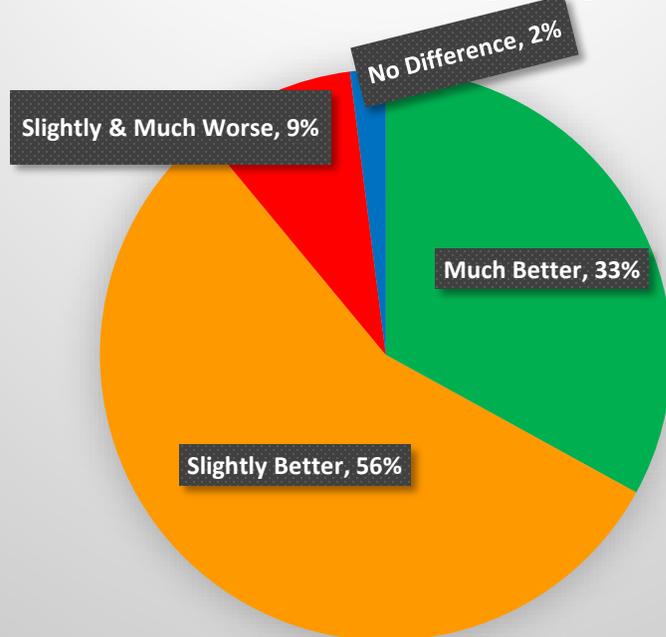


Chart 2 - Customer Focus Groups
Customer Perceptions of a Bill with Combined Gas Consumption



Source: Centra Application, Appendix 6, Slide 10

Chart 3 - Customer Focus Groups
Customer Perceptions of a Bill with Combined Gas Consumption & Combined Delivery Charge



Source: Centra Application, Appendix 6, Slide 10

The key observations from this aspect of the policy analysis in this Application are summarized as follows:

1. **A majority (66%) of the respondents in the Customer Phone Survey indicated that showing the rate components on the natural gas bill provide useful information:** Centra appears to have focused on the result that the majority of phone survey respondents only look at the consumption and amount owing on their natural gas bill to conclude that the rate components on the bill do not provide useful information to natural gas customers. Centra also concluded and states in a number of places in its Application, that natural gas customers find the bill components confusing. However, as outlined in the first pie chart above, a majority (66%) of phone survey respondents indicated that that the bill components provide useful information and a minority (26%) indicated that they find the bill components confusing;
2. **A minority (32% to 33%) of the participants in the Customer Focus Groups indicated that bills with re-bundled rate components are a significant improvement:** In order for Centra to conclude that the majority (68% to 88%) of customers in the focus groups provided a strong preference⁴⁰ in favour of re-bundled bills, it is necessary to add both the participants that indicated the re-bundled bills are *much better* (32% to 33%) and that the bills are *slightly better* (36% to 56%) from charts #2 and #3 above. However, an alternate interpretation of the results from charts #2 and #3 above, is that only a minority (32% to 33%) of participants found the re-bundled bills as a significant improvement and that around half of the participants see this potential change as only a slight improvement. In undertaking the cost and effort to re-bundle the natural gas bills, educate and communicate the changes to 300,000 customers and make consequential changes to a number of regulatory methodologies and processes, it would be a far more compelling business case, if the majority of participants saw the proposed changes as a significant improvement (much better) and if it was not necessary to need to add in participants with views of only marginal improvement (slightly better) in order to justify the changes;
3. **The results of the Focus Groups are not representative of the views of the overall Centra customer base of 300,000 customers:** As noted in point #2 above, it is apparent that Centra placed a significant reliance on the interpretation of the Customer Focus Groups in coming to the view that the proposed rate re-bundling represents customer-centric improvements. Care must be taken in placing a disproportionate weight on these results, as Centra confirmed that the findings cannot be inferred back to the larger population with statistical precision or accuracy⁴¹;
4. **Customers Focus Group participants that were not in favor of the re-bundled bill and took the position that more information is better are characterized as taking an “idealistic” stance:** In the PRA key findings it is noted that focus group participants that were not in favor of the re-bundled bill and had the view that more information was better were characterized as taking an “idealistic” stance⁴². This is a concerning finding, given that the original purpose of the rate unbundling was to provide customers with additional information to make informed decisions in a market with retail competition and does not appear to comport with the views of a customer-centric organization;
5. **The provision of online information to provide the breakdown of Transportation to Centra and Distribution to Customers rates does not provide customer specific information:** Another of PRA’s key findings from the Focus Groups that those opposed to bill re-bundling were placated if the

⁴⁰ CAC/Centra 10 (b) (c)

⁴¹ CAC/Centra 10 (a)

⁴² Centra Application, page 17

information was available to them in other ways. It was confirmed by Centra that the information that would be available on-line under its proposals, would only be a simple breakdown of the Transportation and Distribution rates and not customer-specific information that is currently provided on the unbundled bill⁴³; and

6. **Centra's opposition to reducing the number of lines on the bill related to taxes appears to be at odds with its views on re-bundling the much larger gas components of the bill:** While Centra is supportive of re-bundling the various gas charges on a customer's bill, it did not consider combining the various lines of tax information on the natural gas bill⁴⁴. This position is somewhat inconsistent and curious given that the main purpose of the bill is to convey information on the Centra charges and that the combined total of gas charges are many multiples of the combined total of taxes.

The above noted evaluation demonstrates that Centra's analysis of the Customer Research (Customer Phone Survey and Focus Groups) are subjective and open to interpretation. Alternative interpretations of the findings indicate that the majority of customers view the information on the unbundled bill to be useful (66%/26% = 2.5 times more than find the bill confusing) and only a minority of customers find a re-bundled bill to be a significant improvement (32% to 33%) as compared to the existing unbundled bill. If the main driver of Centra's rate re-bundling proposals is customer-centric improvements, then it is inconclusive if there is compelling Customer Research to demonstrate this assertion.

5.6 It Appears there Was a Missed Opportunity for Additional Stakeholder Engagement in Advance of the Filing of the Application

As was noted in Section 3.2 of the Evidence, the PUB has traditionally encouraged Centra to engage and collaborate with interested parties and market participants, in both narrowing issues and designing customer surveys and focus groups in order to improve the outcomes of and expedite public hearing processes.

The key observations from this aspect of the analysis in this Application are summarized as follows:

1. **Centra engaged with Stakeholders at the front end of the re-bundling initiative:** In its Application, Centra notes its commitment to Stakeholder Engagement indicating that it recognized that there would be stakeholder implications with any re-bundling of rates and as such it committed to the PUB that prior to proposing a new rate structure it would engage with interested stakeholders to understand their perspectives⁴⁵. Centra held a stakeholder engagement session with the PUB, WTS Marketers, large volume customers and intervenors to consider a potential approach to rate re-bundling in January 2019. Centra further consulted with WTS Marketers in February-March 2019 to gain further information on the re-bundling proposals, with CAC in January 2020 to gain input on the objectives and approach to customer focus groups and with WTS Marketers in the summer of 2020 with respect to notice requirements to accommodate the move in the delivery point⁴⁶;

⁴³ CAC/Centra 16 (b)

⁴⁴ PUB/Centra 3 (c)

⁴⁵ Centra Application, pages 6 to 7

⁴⁶ CAC/Centra 8 (b) (c) (d) and DELM/Centra 2 (a) (b)

2. **CAC recommended to Centra that there be additional Stakeholder Engagement sessions:** In its feedback from the January 2019 Stakeholder Engagement session, CAC recommended several more stakeholder engagement sessions be held to learn about the results of consumer engagement, other bill simplification options that might be considered, the costs of various options versus the inherent benefits and to better understand the technical workings of Centra's proposals or other options⁴⁷; and
3. **There was no further engagement with CAC between the Customer Focus Groups and prior to the filing of the Application in March 2021:** Centra asserts that the Application contains customer-centric improvements and it relies on Customer Focus Group findings to support this assertion. However, after January 2020, Centra did not engage any further with CAC to discuss interpretation of the Customer Focus Group sessions and filed its Application in March 2021, some 13 months later. When questioned on why the Application was filed some 26 months after the original stakeholder engagement session, Centra indicated that that time frame was required to conduct focus group research (February-March 2020), manage competing requirement of the 2019/20 Centra GRA (completed in September 2019), COVID 19, and synthesize information into the Application⁴⁸.

Centra engaged with Stakeholders at the front end of the rate re-bundling initiative, and this is viewed as a proactive step by Centra. However, based on the above information, there appears to be a missed opportunity for additional stakeholder engagement in general in advance of the filing of the Application, and engagement with CAC in particular, to discuss perspectives on the results of the Customer Focus Groups and whether there was a compelling justification to move forward with the rate re-bundling proposals. This is especially the case, considering the assertion of customer-centric driven improvements and that the majority of Centra's customers are SGS customers that are represented by CAC at gas regulatory proceedings and the 12 months of elapsed time between the Customer Focus Groups and the filing of the Application.

5.7 There are a Number of Outstanding Matters Deferred to Future Regulatory Processes

As noted in Section 4.2 of this Evidence, there are several proposed changes Centra is not seeking approval of as part of this Application but deferred to other processes. The key observations from this aspect of the implementation analysis in this Application are summarized as follows:

1. **The migration of the WTS delivery point from Empress to AECO is tied to the review and approval of the cost consequences associated with the delivery point change, the date of such review is undetermined:** Centra states that the migration of the delivery point from Empress to AECO will result in increased costs of nearly \$1.0 million which Centra states is offset by additional benefits.⁴⁹ Centra states this matter will be addressed more fulsomely when it seeks approval of the costs consequences associated with the referenced change of holding fixed capacity on NGTL when those costs are incurred. Presumably, the referenced review will occur as part of the Cost of Gas Application it intends to file in 2022. It is unclear that if the PUB approves the change in delivery point from Empress to AECO for purposes of WTS in this Application, that it is implicitly approving the change for

⁴⁷ CAC/Centra 8 (a) Attachment

⁴⁸ DEML/Centra 2 (a) (b)

⁴⁹ PUB/Centra 11 (g), PUB/Centra 13

Centra's gas supply portfolio and the resulting cost consequences also. For example, should the PUB approve the delivery point change for WTS purposes but upon a fulsome review, denies the change, what are the implications to WTS Marketers who presumably have begun to modify their business to meet the targeted November 1, 2022 date? Conversely, if the PUB does not grant approval of the delivery point change as part of this Application, but defers to Centra's 2022 Cost of Gas Application, Marketers presumably will not have the necessary time needed to make their business changes;

2. **Centra is proposing that AECO to Empress transportation tolls and fuel costs be functionalized as transportation-related and recovered through the transportation rate, the methodology of which it is seeking approval of as part of its Cost of Service Methodology Review:** Further to point #1 above, Centra indicated that it will seek approval of the proposed methodology changes associated with transportation-related changes as part of its concurrent Cost of Service Methodology Review or as part of this Application, if required⁵⁰; and
3. **It is unclear whether absent the approval to migrate the delivery point from Empress to AECO, that Centra's proposed rate design changes can be implemented:** Centra states that if approval of the delivery point migration from Empress to AECO is not obtained in this Application, the remaining relief sought could be implemented⁵¹. However, Centra did not provide any evidentiary support on how such rate design changes could be implemented.

Through the above noted information, several important proposed changes are tied to other Applications, and it is unclear whether PUB approval of this Application at this time, in the absence of evidence and a fulsome review, will hinder the PUB's decision-making authority in a future review. It is also unclear whether any delays in the Cost of Service Methodology Review or a potential 2022 Cost of Gas Application in the absence of a clearly articulated process schedule will impact either the August 2022 FRPGS offerings or the November 1, 2022 implementation date.

5.8 It appears the original intent of the directive in Order 65/11 to undertake a comprehensive rate structure review has not been addressed:

As noted in Section 3.3 of this Evidence, the primary thrust of the directive in Order 65/11 flowing from Centra's 2011/12 Cost of Gas Application that has led to the current Application is that a review of Centra's rate structure was necessary to ensure that rates reasonable reflect the nature of and commensurate costs of services given changes in Centra's transportation portfolio impacting the distinction between Primary and Supplemental Gas and the competitive supply of natural gas commodity in Manitoba.

The key observations are summarized as follows:

1. **Centra addressed the concern raised regarding increased reliance on Delivered Service:** Centra states it previously addressed the concern regarding the increased reliance on Delivered Service by recategorizing a portion of Delivered Service as Primary Gas used to support load requirements

⁵⁰ PUB/Centra 7 (a)

⁵¹ PUB/Centra 11 (d)

having de-contracted a portion of its upstream firm transportation service as part of the 2013/14 GRA;⁵² and

2. **While Centra has addressed specific issues raised by the PUB in Order 65/11, it appears the original intent of the directive to undertake a comprehensive rate structure review has not been addressed:** As part of Order 65/11, the PUB found that Centra's overall rate structure required review and suggested that could occur as part of the anticipated Cost of Service Study review that was underway at that time. Such a review considers the broad nature of the services provided by the utility (functionalization) which ultimately drives appropriate cost responsibility and rate design. As discussed further in Section 5.9, this functions/services review would facilitate whether, for example, distinct supplemental gas service is provided to Firm and Interruptible classes.

While Centra has addressed both the specific Delivered Service issue that gave rise to the directive as well as bill simplification, it is noted that there is no evidence conclude whether the current rate structure reasonably conforms with the intent of the underlying services to ensure that rates reasonably reflect the nature of and commensurate costs of the services either in this Application or in the pending Cost of Service Methodology Review Application.

5.9 It is Unclear whether Centra's Application to Combine Firm and Interruptible Supplemental Gas to Facilitate Bill Simplification is Justifiable from a Cost-Causation Perspective

As outlined in Sections 3.2 and 3.3 of this Evidence, Centra's current rate design was informed by and an outcome of policy considerations and consistent ratemaking objectives. It is understood that there are always compromises as ratemaking objectives are competing and determining the optimal trade-offs between ratemaking principles in developing rates requires thoughtful judgement.

The following are the key observations from this aspect of the implementation analysis:

1. **Since at least 1999, distinction of Supplemental Gas Rates between Firm and Interruptible Customers was necessary to recognize difference in service levels:** Over the past couple of decades, Centra has recognized differences in gas commodity service levels between Firm and Interruptible customers. Centra followed a hierarchical approach in which Firm customers were served on a priority basis, receiving first call on Primary Gas commodity sources⁵³. In cases where Centra's sources of supply were insufficient to meet Interruptible customers' full requirements after meeting Firm customer requirements, Interruptible customers were offered the option to either curtail their consumption or take Alternate Service. The result of this service level decision by Centra meant that Interruptible customers were served with the commodity resources at the margin and resulted in more Supplemental Gas volumes⁵⁴ being used to serve Interruptible customers which tended to be

⁵² PUB/Centra 1 (a)

⁵³ Centra 2015/16 Cost of Gas, PUB-Centra INT 002 (a) Att 1, pages 6 & 7

⁵⁴ Centra 2015/16 Cost of Gas Application, PUB/Centra INT 002 (b). As can be seen, on a forecast gas year basis, Firm customers load would be served between 3% to 19% with Supplemental Gas, whereas Interruptible customers load would be served with Supplemental Gas that ranged between 5% to 33%. On an actual basis, these percentages can be much more extreme.

the more costly source of commodity. This service level distinction resulted in costs and rates that differed between Firm and Interruptible customers.

2. **Centra asserts that it does not distinguish service levels for gas purchases operationally between Firm and Interruptible Customers and thus cost distinction in commodity rates is not necessary:** Centra's evidence in this Application is that it purchases all volumes, including Supplemental Gas volumes, to serve aggregate daily market requirements without regard for whether gas is serving Firm or Interruptible customers with the exception of Alternate Supply, which is specifically purchased for Interruptible customers in lieu of curtailment and directly billed. Centra asserts that the service level distinction was a result of the current dual Primary/Supplemental rate structure which while reasonable, added complexity to customer bills and that because it operationally does not distinguish between gas purchases for Firm and Interruptible, rate re-bundling provides the opportunity to discontinue distinct commodity treatment (aside from Alternate Supply).⁵⁵
3. **It is unclear whether Centra's current operations reflect a service level change from past operations such that Firm and Interruptible Customers Gas Commodity is now provided equally:** Centra has made a number of simplifying assumptions to support its Rate Re-bundling Application including combining firm and interruptible supplemental gas costs (non-AECO supply). Centra indicates that service and cost distinction between Firm and Interruptible customers is best dealt with through curtailment and the provision of Alternate Supply and non-commodity rates."⁵⁶Understanding what and how commodity service is provided, the spirit of the original directive flowing from Order 65/11, is important in arriving at the appropriate allocation of costs between customers and assessing whether Centra's proposed simplification is has a logical foundation. Rate uniformity in the absence of cost uniformity may impose an unfair burden on some customers (in this case either Firm or Interruptible customers). And, it is important to recognize that one must begin with defining what service is provided (functionalization) in order to drive cost allocation and rates/rate structure; rate structure should not drive service levels. Centra's proposal clearly results in a cost and rate reduction for Interruptible customers, with an offsetting increase to all other sales service customers. Centra's justification is suggestive that gas commodity is pooled for all customers and all customers are entitled to commodity equally (and without prioritization). However, Centra appears to confirm that it continues to follow a hierarchical approach to not only forecast how its load will be served, but also how it was served on an actual basis consistent with prior practice whereby Firm customers are served on a priority basis (and suggestive of a service level and cost distinction) interruptible load is met through marginal commodity resources⁵⁷; and
4. **The existence of Alternate Supply suggests that Firm customers continue to be provided gas commodity service on a priority basis and Interruptible commodity met through marginal resources which drive cost differences and necessitate differential Supplemental Gas (non-AECO) Rates:** Centra's justification to combine supplemental gas firm and interruptible service also appears to be at odds with other aspects of the evidence: (1) Existence of Alternate Supply which inherently suggests a differing level of commodity service and cost (2) Centra's Cost of Service Methodology

⁵⁵ CAC/Centra 15

⁵⁶ CAC/Centra 15 (a) (b) (d), Footnote 1

⁵⁷ CAC/Centra 15

Review Application states that the Interruptible Class load is served using gas from storage⁵⁸ and (3) Centra's Cost of Service Methodology Application that states that Centra's contracted upstream peak capacity does not include the peak requirements of the Interruptible class⁵⁹ which is also suggestive of a service level distinction (i.e. a quality of service component) for interruptible customers that ties the quantum and cost of commodity to the level of contracted upstream capacity.

Further, there are several other implications of Centra's proposal to combine Firm and Supplemental Gas Service requiring clarification:

- If Centra does not operationally distinguish gas purchases between firm and interruptible service, it remains unclear how the point at which curtailment is necessary.
- It appears that a consequence of combining Firm and Interruptible Supplemental Gas rates is that Interruptible customers will be held responsible for supplemental gas costs (non-AECO supply) incurred during periods of curtailment in addition to alternate supply⁶⁰. This effectively means Interruptible customers would be responsible for a portion of all gas costs (i.e. equivalent to a firm customer) as well as alternate supply during periods of curtailment.
- As part of Centra's Terms and Conditions of Service⁶¹, Centra is proposing to offer Alternate Supply gas to Interruptible customers by comparing to Centra's Base Rate for Gas Commodity. This is a change from current practice in which the price comparison is to the Supplemental gas base rate for Interruptible Customers. Certainly, one implication is that the price threshold by which Centra will offer Alternate Supply will change, which was not discussed by Centra.
- Centra's proposal to roll non-gas costs related to Supplemental Supply (non-AECO Supply) into the Gas Commodity Rate is justified on the basis of materiality, administrative ease, and aligning the recovery of commodity-related total overhead costs through a commodity rate⁶². Centra did not indicate whether it considered doing away with the allocation of supplemental gas overhead entirely and allowing those costs to be spread among all gas costs.

It is unclear whether the simplifying assumptions to combine Firm and Supplemental Gas service results in rates that reasonably comport with the underlying level of gas commodity service, the illustrative cost and bill impacts and cost causation or whether the differences in service provided warrant continued cost distinction.

⁵⁸ Centra Cost of Service Methodology Review Application, June 15, 2021, page 35

⁵⁹ Centra Cost of Service Methodology Review Application, June 15, 2021, page 35

⁶⁰ In the case of the winter of 2014, a \$45 million supplemental gas PGVA price differential balance for Firm customers accrued, Centra's proposal would have resulted in Interruptible customers not only responsible for the \$6.5 million alternate supply cost incurred in lieu of curtailment, but also a portion of the \$45 million supplemental gas PGVA balance. (Centra 2015/16 COG, CAC/Centra INT 002 (j), 008 (b))

⁶¹ PUB/Centra 2, Attachment, page 34

⁶² PUB/Centra 14 (b) (c) & (d)

Darren Rainkie, CPA, CA, CBV

Principal – Darren Rainkie Consulting

Phone: 204.782.5877 or Email: darrenrainkie@gmail.com

HANDS ON & MULTI-FACETED EXPERTISE

IMPROVED REGULATORY & BUSINESS OUTCOMES FOR CLIENTS

QUALIFICATIONS & EXPERTISE

- Executive Utility Leadership
- Regulatory Policy & Strategy
- Revenue Requirement Specialist
- Regulation Process Management
- Financial Management
- Adept Expert Witness

CAREER HIGHLIGHTS

- Deep and multi-faceted expertise in all aspects of rate-regulation (1990-Present)
- Extensive experience testifying as a policy & subject matter expert at regulatory proceedings (2000-Present)
- Executive experience (Acting CEO, CFO, Controller & Treasurer) at Manitoba Hydro & Centra Gas (2006-2017)
- Senior level expertise in a broad range of financial management disciplines (2000-2017)

PROFESSIONAL EXPERIENCE

- Independent Consultant 2017-Present
- Manitoba Hydro 1999-2017
- Centra Gas 1994-1999
- Price Waterhouse 1988-1994

EDUCATION

- Chartered Business Valuator 1993
- Chartered Professional Accountant (Chartered Accountant) 1991
- B. Com. (Hons. – With Distinction), University of Manitoba 1988

PROFILE

Darren leverages his 30+ years of **hands on experience** and **multi-faceted expertise** in rate-regulation, utility & financial management to **improve regulatory & business outcomes for clients** that participate in and are impacted by rate-regulation - including applicants, intervenors, utility customers, regulatory tribunals & government agencies. He specializes in providing rate-regulation and financial advisory services, with an emphasis on regulatory policy & strategy and revenue requirement & fiscal matters.

The **client benefits** from **Darren's advisory services** are summarized as follows:

Access to a Comprehensive Suite of High-Quality Regulatory Services – Darren's deep specialization in rate-regulation and multi-faceted regulatory expertise enables him to provide high-quality advice to clients on regulatory policy, strategy, issues and process – that is customized/adapted to the relevant sector, ownership structure, rate-setting framework, subject matter and type of regulatory proceeding.

Effective Diagnosis of Issues & Sound, Practical Advice – Decades of hands on and executive level public utility experience - gives Darren the ability to effectively identify critical issues, evaluate alternative options & risks and develop pragmatic solutions for clients that are aligned with longer-term vision and strategic direction.

Integrated, Broad-Based & Credible Recommendations – Darren's financial management expertise results in recommendations to clients that evaluate the broader financial implications & integrates these implications into the ratemaking framework – with the inherent credibility associated with first-hand & senior level experience applying this financial expertise in a complex regulated enterprise.

Sustainable Solutions & Greater Potential of Stakeholder Acceptance – Clients benefit from Darren's leadership experience, collaborative approach and ability to effectively engage with stakeholders – which leads to more sustainable solutions, greater potential of stakeholder acceptance, as well as opportunities to facilitate client knowledge transfer and learning.

Building Consensus & Commitment to Implement Recommendations – Darren's uses his excellent communication & influencing skills, along with his extensive experience providing testimony at regulatory proceedings – to assist clients in obtaining a shared understanding of issues & options with internal and external stakeholders and building consensus for and commitment to implementing recommendations.

OVERVIEW OF PUBLIC UTILITY REGULATORY EXPERIENCE

Deep Specialization in Rate Regulation & Multi-faceted Regulatory Expertise

- A deep specialization in rate-regulation encompassing the majority of a professional career spanning over 30 years, including employment with/advising **multiple parties** to the regulatory process: providing advisory services to provincial regulators, executive oversight and management of rate applications and regulatory filings of applicant utilities and providing independent expert advice to intervenors and applicants.
- Multi-faceted regulatory expertise including **multiple sectors** (electricity, natural gas, mandatory auto insurance, water & waste, energy efficiency, district energy, propane, group 2 pipeline), a number of **jurisdictions** (British Columbia, Alberta, North West Territories, Manitoba, New Brunswick, Nova Scotia), various **ownership structures** (crown-owned, investor-owned and municipally-owned utilities) and a number of **rate-setting/legislative frameworks** (rate base/rate of return, modified cost of service, historic & future test years, multi-year applications).
- Extensive experience in a broad range of **regulatory proceedings** (general rate applications, commodity cost prudence reviews/pass throughs, major capital project and certificate of public convenience and necessity reviews, integrated resource plan reviews, back-up/top-up service pricing & terms, franchise expansion & feasibility test reviews, natural gas broker service improvements, debt & equity issues, accounting policy selection, depreciation rates, intercompany cost allocations & affiliate transactions, pipeline safety, integrity & construction methods, customer disconnections, automated meter reading, energy efficiency, natural gas cooperative acquisitions) and expertise in all aspects of **rate-regulation subject matter** (regulatory policy, revenue requirements, cost of capital/capital structure, cost allocation and rate design).
- Experience with different types of **regulatory processes** (oral hearing, paper hearing, ex-parte, complaint based and alternative dispute resolution) and through all **regulatory cycle components** (strategy development & case planning, application & evidence preparation/evaluation, stakeholder engagement, witness training & preparation, discovery & hearing process management, presentation of expert testimony, cross examination & argument strategy/content, regulatory decision drafting, compliance filing preparation/evaluation, regulatory process improvement recommendations).

Hands On & Executive Level Public Utility Experience

- Hands on **public utility experience** through **23 years of employment** with a privately-owned natural gas utility and one of Canada's largest publicly owned, vertically integrated electric and natural gas utilities.
- Over 11 years of **executive leadership experience** actively collaborating in the management of the corporation, developing corporate & business unit strategic plans, developing risk management plans and successfully managing multiple strategic initiatives simultaneously.
- A **comprehensive understanding** of the **business, operations** and **risks** related to **regulated public utilities**, how decisions are made in this environment - as well as the strategic challenges facing regulated entities.
- A proven track record of developing **innovative financial** and **regulatory strategies** that are aligned with the overall vision and strategic direction of the organization - to ensure the on-going financial sustainability of the utility and respond to future business requirements.

Broad Range of First-Hand Financial Management Expertise – Applied to a Complex Regulated Enterprise

- Over 17 years of senior level and first-hand expertise in a **broad range of financial management disciplines** including: setting financial targets/key performance indicators, long-term financial forecasting, operating cost budgeting, capital cost budgeting, treasury & debt management, corporate risk management, accounting policy selection, financial & management reporting and internal cost allocation between lines of business.

- A **comprehensive understanding of utility financial models** and the elements that impact the model and financial performance, including key inputs, underlying processes, best practices, expected outcomes, options and key performance indicators. Demonstrated experience in applying this diverse financial management expertise and integrating them into the ratemaking framework of a complex regulated enterprise.
- Initiated, championed and actively participated in a number of transformational initiatives to ensure the ongoing financial sustainability of Manitoba Hydro during a period of major capital investment, including: a comprehensive **review of corporate financial targets**, a complex **scenario analysis** to review the adequacy of financial reserves/forecast long-term rate impacts, a **multi-year budgeting strategy** designed to achieve operating cost savings; a **corporate asset management framework** to improve the prioritization of sustaining capital expenditures, an **alternate debt management strategy** to retire debt and improve the financial outlook and a top-down strategy driven approach and **transformation of rate applications** to increase revenues.
- Demonstrated ability to **effectively identify issues impacting the long-term financial outlook of regulated enterprises**, evaluate historic and expected performance against key performance indicators, develop options & identify levers that can be used to positively impact rates to customers and make credible recommendations to intervenors, applicants and regulatory tribunals.

Collaborative Approach & Stakeholder Engagement Experience

- A principled and **collaborative leader** with extensive experience leading, developing, mentoring, collaborating and providing direction to a diverse team of senior professionals as well as cross-disciplinary project teams.
- **Worked collaboratively with internal officials** – such as subject matter experts, senior management, executive team, board committees and board of directors to achieve the **strategic, operational and financial goals**.
- Managed the interactions with and **build strong relationships with external stakeholders**, including provincial government officials, indigenous business partners, external auditors, investment banking institutions and credit rating agencies. As a result of the direct involvement with external stakeholders, have experience explaining the perspectives and issues of these stakeholders to regulatory stakeholders as an executive policy witness.
- Demonstrated capability to **engage with and build strong relationships with regulatory stakeholders**, including regulatory tribunal staff & advisors, consumer group/intervenor representatives & experts and applicant officials. Provided oversight and actively participated in a number of **regulatory stakeholder engagement sessions** with the objectives of fostering positive relationships, building shared understanding of participants and reducing the number of issues to be reviewed/contested during regulatory proceedings.

Adept Witness & Excellent Communication and Influencing Skills

- As a utility executive, oversaw and participated in the development and delivery of **numerous persuasive presentations and recommendations** to obtain direction/approvals from the executive committee, audit committee, board of directors and regulatory tribunal - with respect to financial targets, long-term financial forecasts, proposed rate increases, operating and capital expenditure plans, financing and risk management plans, depreciation study changes, accounting policy selection/IFRS implementation and financial reporting. As an advisor to a regulatory tribunal, intervenors and applicants, have delivered numerous briefings to the client on the significant issues arising in regulatory applications.
- An excellent **reputation** for the **ability to draft well constructed documents and reports**, and to organize complex business & regulatory concepts into compelling evidence, using clear and understandable language. The range of experience includes five years drafting regulatory decisions for a regulatory tribunal, 23 years drafting regulatory applications/reports for applicants and four years developing independent reports for intervenors and applicants.

- Over 20 years of **experience testifying** as a **subject matter witness, executive policy witness** and **independent expert** at regulatory proceedings. Areas of testimony include: policy & strategy (electric & natural gas general rate applications, major capital projects review, cost of gas prudence review, cost of service methodology review), financial targets, long-term financial forecasts, operating & capital cost forecasts, debt management strategies, depreciation studies, adoption of IFRS accounting policies for rate setting purposes, financial results, general revenue requirement components, rate base, return on equity, capital structure, financial feasibility tests, as well as regulatory approvals and procedural matters.

PROFESSIONAL EXPERIENCE

PRINCIPAL, DARREN RAINKIE CONSULTING

2017 – Present

- Provide **rate-regulation advisory services** in the subject matter areas of policy, strategy, revenue requirements, cost of capital/capital structure, cost allocation, rate design, major capital project reviews, planning and management of regulatory applications and associated hearing processes, stakeholder engagement and witness testimony in regulatory proceedings.
- Provide **financial advisory services** in the subject matter areas of financial targets, long-term forecasting, operating & capital cost budgeting, debt management, risk management, intercompany cost allocation, financial reporting and business valuation.
- Provide regulatory consulting services to the **British Columbia Old Age Pensioners' Organization et al** Intervenor Group in connection with numerous natural gas and thermal utility applications before the **British Columbia Utilities Commission**, including: **FortisBC Energy** (Pattullo Gas Replacement Project and Biomethane Energy Recovery Charge Rate Methodology), **Pacific Northern Gas** (Salvus to Galloway Gas Line Upgrade), **Creative Energy Vancouver** (2021 Long-Term Resource Plan, 2021 Revenue Requirement Application and 2021 Heating and Cooling Rates) and **Insurance Corporation of British Columbia 2021 Revenue Requirements Application**.
- Provided independent expert evidence and testimony to the **Nova Scotia Utility and Review Board** regarding **Nova Scotia Power Inc.'s 2021 Back-Up/Top-Up Amendment Application** with respect to pricing and terms and conditions of service of municipal electric utilities.
- Provided advisory services to **Efficiency Manitoba** in connection with its **2020-2023 Efficiency Plan** filing to the **Manitoba Public Utilities Board (MPUB)**, including regulatory on-boarding, filing review process design and strategic filing preparation advice.
- Independent expert witness on regulatory policy, financial reserve targets and revenue requirement matters before the **MPUB** on behalf of the Consumers Association of Canada (Manitoba) in the **Centra Gas 2019/20 General Rate Application** proceeding.
- Independent expert witness on regulatory policy, financial reserve targets and revenue requirement matters before the **MPUB** on behalf of the Consumers Coalition in the **Manitoba Hydro 2019/20 Rate Application** proceeding.
- Conducted an independent review of the **2019/20 Chestermere Utilities Inc. rate proposal** (water, sanitary & storm services) and associated financial implications for the **City of Chestermere** (acting as the regulator).
- Provided independent advice to the Consumers Association of Canada (Manitoba) on case strategy and the capital management plan in connection with the **Manitoba Public Insurance 2019/20 General Rate Application** before the **MPUB**.
- Conducted a review and made recommendations on the implementation of a revised **internal cost allocation methodology** (allocation of corporate and shared service costs) for **Corix Infrastructure Inc.** (a leading provider of energy, water & wastewater utilities for small to medium-sized communities across North America).

- Provided independent advice to an Industrial Intervenor on the Advanced Metering Infrastructure (AMI) project in connection with **New Brunswick Power Corporation 2018/19 General Rate Application** before the **New Brunswick Energy & Utilities Board**.
- Provided independent advice to legal counsel for an intervenor with respect to case strategy, evidence evaluation and revenue requirement matters in connection with the **Northwest Territories Power Corporation 2016-2019 General Rate Application** before the **Northwest Territories Public Utilities Board**.

MANITOBA HYDRO & CENTRA GAS

1999 – 2017

Acting President and Chief Executive Officer

September to December 2015

- Responsible for the **overall executive leadership** of one of the largest integrated electric and natural gas utilities in Canada with over \$20 billion in assets, \$2.3 billion in revenues, 568,000 electricity and 277,000 natural gas customers and over 6,000 employees.
- Maintaining progress on **delivery of key strategic objectives, execution on major capital projects** and effective transition to the newly appointed CEO while simultaneously managing several complex finance & regulatory projects in the on-going role as CFO.

Vice-President, Finance & Regulatory Affairs and Chief Financial Officer

2013 – 2017

- Responsible for the **executive leadership** of the **Finance & Regulatory Affairs business unit** (Controller, Treasury, Rates & Regulatory Affairs, Financial Planning and Corporate Risk Management) and **Manitoba Hydro International** (professional consulting and project management services to energy sectors world-wide).
- Member of the **Executive Committee** that actively collaborated in the **management of the corporation** and the formation, revision and achievement of the **corporate strategic plan** and establishment of **business unit goals & strategies** that align with the strategic objectives of Manitoba Hydro. Led, developed and mentored a diverse team of senior professionals as well as cross-disciplinary project teams.
- **Chief regulatory officer** and provided executive direction with respect to regulatory affairs before the MPUB (Manitoba Hydro & Centra Gas) and National Energy Board (Minell Pipelines). Represented the corporation as **executive policy witness** and chief regulatory strategist for several significant electric and gas regulatory proceedings before the MPUB, as follows:
 - The **2016 Electric Cost of Service Methodology Review** before the MPUB to review the methodology underpinning the allocation of a \$2 billion revenue requirement and \$20 billion rate base among 568,000 customers.
 - The **2015 Electric General Rate Application** before the MPUB which included final approval of interim rates for 2014/15 and rates for 2015/16 as well as the establishment of a process to review interim rates for 2016/17. Applied a top-down strategy driven approach and drove the transformation of rate applications to increase revenues, ensure the on-going financial sustainability of the corporation, maintain reliable service and stable rates - while balancing the interest of ratepayers with the financial integrity of the corporation.
 - The **2015 Cost of Gas Application** before the MPUB and directed the development of the regulatory strategy and principles associated with the prudence review and recovery of additional gas costs of \$46 million incurred during the record cold winter weather of 2013/14.

- The finance witness panel at the **2014 MPUB review of the Need For and Alternatives To (NFAT)** Manitoba Hydro's proposed Major Generation and Transmission capital projects involving a planned investment of over \$17 billion. The finance panel witness responsibilities included the potential impact on customers rates, financial outlook and financial risk associated with the planned investments.
- The **2013 Centra Gas General Rate Application** before the MPUB to set gas costs and non-gas revenue requirement for 2013/14.
- Guided the development of **corporate financial targets** and the **long-term financial forecast** as well as corporate operating, capital and financing plans that are consistent with the overall objectives of the Corporation and obtained endorsement from the Audit Committee and Manitoba-Hydro Electric Board (MHEB). Initiated and provided executive oversight to a **comprehensive review of corporate financial targets** to determine if they continued to be appropriate during a period of extensive capital investment of over \$17 billion. Provided policy guidance to support the development of increasingly sophisticated **financial models to provide scenario analysis** (over 15,000 financial projections) on key financial variables (water flows, export prices, interest rates and capital costs) to evaluate the adequacy of financial targets and financial reserves and forecast the long-term rate impacts of major capital projects.
- Initiated target setting process and collaborated with the executive team to develop a **multi-year budgeting strategy** to substantially reduce the growth in operating expenditures. Championed the establishment of an overall **corporate asset management framework** and further development of systems to improve the planning and prioritization of sustaining capital expenditures in the generation, transmission, distribution and corporate functions.
- Provided executive oversight to the development and execution of **financing strategies** and plans to obtain long-term debt financing in the order of \$1.5 billion to \$2 billion annually and to effectively manage the corporation's liquidity, foreign exchange and interest rate risks. Provided policy guidance to treasury staff to develop a more cost-effective approach to **manage significant risk exposure from US currency fluctuations** on export revenues and to develop an **alternate debt management strategy** to retire debt and improve the financial outlook.
- Directed the **financial and management reporting** and **corporate risk management functions** and provided regular reports on the financial results and risks of the corporation to Executive Committee, Audit Committee and MHEB. Executive accountable to oversee the **transition** from Canadian Generally Accepted Accounting Principles (CGAAP) to **International Financial Reporting Standards (IFRS)** for financial reporting purposes and the strategy to use IFRS for rate-setting purposes.
- Chair of the **Corporate Risk Management** and **Rates Review committees**. Member of the Export Power and Gas Supply **Risk Management committees** and the **Corporate Asset Management Executive Council**. Member and **Treasurer of the Wuskwatim and Keeyask Limited Partnership Boards** working closely with Indigenous partners.

Corporate Controller, Controller Division

2008 - 2013

- Directed the **preparation** of the **electric and gas revenue requirement filings** and represented the corporation as a **senior subject matter witness** at several MPUB **electric rate hearings** between 2008 and 2013 (2008/09, 2009/10, 2010/11 & 2011/12, 2012/13 & 2013/14 GRA's) providing witness testimony on financial results, long-term financial forecast, operating & capital cost forecasts, other revenue requirement components as well as implementation of depreciation studies and IFRS accounting policies for rate-setting purposes.
- Oversaw the development of the **long-term financial forecast** and the **coordination of the consolidated operating cost and capital expenditure forecasts** and presentation to the Audit Committee and MHEB.
- Led the **financial and management reporting functions** of the corporation and managed interaction with the provincial Comptroller's Division and external auditors. Guided the **provision of financial services** to the **business unit** management teams.

Corporate Treasurer, Treasury Division

2006 - 2008

- Led the development of **debt management** and **financing strategies** to obtain corporate financing requirements and effectively manage the corporation's liquidity, foreign exchange and interest rate risks. Provided testimony as a **senior subject matter expert** at the 2007/08 & 2008/09 Centra GRA on rate base, return on equity, working capital allowance, finance expense and debt management.
- Managed interaction with **credit rating agencies**, the provincial Treasury Division and investment banking institutions.
- Guided **cash management**, cash forecasting and **credit risk management** functions and the administration of banking arrangements.

Manager, Regulatory Services Department

1999 - 2006

- Responsible for **regulatory planning** and administration and providing **recommendations** to **senior management** on regulatory **strategy, issues** and **procedural matters**. Acted as a liaison with MPUB staff and advisors.
- **Managed** the preparation of **numerous regulatory applications, filings** and **reports** to the **MPUB**, the post-application/pre-hearing processes, the public hearing process and the interpretation and compliance with MPUB decisions from 1999 to 2006 (types of regulatory proceedings/matters include: general rate applications, commodity cost prudence reviews/pass throughs, franchise expansions & feasibility tests, natural gas broker service improvements & stakeholder engagement process, pipeline safety, integrity & construction methods, customer disconnections, acquisition of a natural gas cooperative).
- Represented the corporation as a **subject matter witness** at several MPUB **natural gas rate hearings** between 2000 and 2006 (2000 Interlake expansion, 2003/04 GRA, 2004/05 Cost of Gas, 2005/06 & 2006/07 GRA, 2007/08 & 2008/09 GRA), providing witness testimony on revenue requirements, rate base, cost of capital/return on equity, capital structure, lead-lag study, financial feasibility tests and regulatory approvals and procedural matters.
- Oversaw the development of the **Quarterly Primary Gas application** and associated processes in 2000 to adjust the cost of gas from western Canada on each gas quarter using an efficient and streamlined regulatory approval process.

CENTRA GAS MANITOBA INC.

1994 - 1999

Senior Coordinator, Regulatory Services Department

1997 - 1999

- Responsible for the **coordination** and **preparation** of **regulatory applications, filings** and **reports** to the MPUB (types of regulatory proceedings/issues include: 1998 general rate application, commodity cost prudence reviews/pass throughs, franchise expansion & feasibility test reviews, debt & equity issues, accounting policy selection, depreciation rates, intercompany cost allocations & affiliate transactions).
- Provided **direction** to **regulatory staff** and **internal clients** with respect to regulatory process and procedural matters, the preparation of responses to MPUB decisions, directives and requests and participated in the **preparation of evidence** and **witnesses** for public hearings.

Senior Financial Analyst, Financial & Accounting Services Department**1994 - 1997**

- Acted as internal expert and **provided support to company witnesses** at MPUB public hearings with respect to business case and feasibility assessments as well as financing, capital structure and cost of capital/rate of return and feasibility test matters (1995 & 1997 GRA's). Developed the Centra **return on equity formula** proposal for the 1995 GRA.
- Provided advice and assisted in the **preparation of business cases** with internal management and project teams to support business expansion and growth opportunities, capital expenditures and operating decisions. Coordinated all aspects of **financial analysis** and **feasibility assessments** including the development of financial models, investment evaluation criteria and the presentation of results to internal management.

PRICE WATERHOUSE, CHARTERED ACCOUNTANTS (Winnipeg Office)**1988 - 1994****Assistant Manager, Financial Advisory Group****1990 – 1994**

- Acted as **accounting & finance advisor to the MPUB** between 1990 and 1994 on several Centra Gas regulatory applications (including 1990, 1991, 1992, 1993 GRA's), a 1994 Manitoba Hydro GRA and a Stittco Utilities Manitoba (propane) 1991 GRA. Drafted numerous regulatory decisions for the MPUB during that timeframe. Provided advice on all aspects of revenue requirements including operating costs, depreciation, finance expense, income & other taxes, rate base, working capital, capital structure and cost of capital/return on equity.
- Provided extensive **consulting advice to the MPUB** and drafted regulatory decisions on **capital structure** and **cost of capital/return on equity** matters including the last comprehensive decision on the allowed capital structure and return on equity for Centra Gas in 1994.
- Prepared **business valuations**, conducted business reviews for acquisition and divestiture purposes and prepared **quantifications of losses** or **damages** for use in litigation proceedings.

Audit Senior, Audit & Business Advisory Group**1988 - 1990**

- Provided **audit** and **business advisory services** to clients in several industries, including real estate, investment dealing and agriculture, as well as public sector clients.

Kelly Derksen, BSc., CPA, CMA

Principal – Kelly Derksen Consulting

HANDS-ON AND MULTI-FACETED EXPERTISE

IMPROVING REGULATORY & BUSINESS OUTCOMES FOR CLIENTS

QUALIFICATIONS & EXPERTISE

- Ratemaking Expert
- Regulation Strategy & Execution
- Regulation Process Management
- Quality & Process Improvement
- Experienced & Respected Witness
- Leadership Excellence

CAREER HIGHLIGHTS

- 25 years of Rates & Regulation experience in the Utility Industry
- A recognized authority in Utility Cost of Service and Rate Design
- Experienced, credible, respected witness – testifying in numerous public hearings, 2002 – Present
- Developed, led, and assisted in dozens of regulatory proceedings
- Committed to mentoring and sharing knowledge through collaborative style and routinely conducting training

PROFESSIONAL EXPERIENCE

- Independent Consultant 2018-Present
- Manitoba Hydro/Centra Gas 1999-2017
- Centra Gas 1994-1999

EDUCATION

- Chartered Professional Accountant (CMA), 2004
- BSc., (Chemistry & Mathematics) University of Manitoba, 1995

PROFILE

Kelly leverages her 25-years of **hands-on experience** and **multi-faceted expertise** in energy regulation and ratemaking for clients that participate in and are impacted by rate-regulation – including applicants, intervenors, utility customers, regulatory & government agencies. She specializes in regulation and ratemaking, with an emphasis on cost of service, and rate design. **Clients benefit from improved regulatory & business outcomes** through the following:

Providing Clients with Ratemaking Solutions Based on Traditional and Contemporary Best Practice that are Theoretically Sound, Practical, Sustainable and Clear – Kelly developed her ratemaking expertise through decades of employment with one of Canada’s largest publicly owned, vertically integrated electric and natural gas utilities as well as providing independent advice to other applicants, intervenors, and regulatory tribunals. Kelly has led, developed and executed many cost of service and rate design studies and methodological reviews. This includes the development of extensive evidence and providing principled persuasive testimony. Along with practical experience, and continuous monitoring of the evolving utility industry, she also has deep understanding of the academic-based writings including Bonbright and Kahn, as well as the more practical detailed ratemaking manuals such as NARUC. With a deep passion and understanding of ratemaking obtained through significant hands-on utility experience uniquely enables Kelly to deliver client solutions that are workable, understandable, and that are also academically sound.

Providing Clients with Effective Regulation Strategy Advice & Workable Process Management Solutions – Leveraging from 25 years of hands-on experience-backed judgement and insight, Kelly provides strategic and tactical advice and solutions to complex regulation challenges. Kelly has successfully developed and led many interim, ex-parte, written, traditional, and unconventional regulatory processes. With the many challenges and nuances associated with achieving success in the regulatory arena, Kelly is a champion of evaluating lessons learned to achieve future success. Clients benefit from access to decades of hands-on regulatory experience to advance their goals more efficiently and effectively.

Providing Clients with Practical and Sustainable Solutions- Kelly’s collaborative style as well as her strength in the translation of complex ratemaking subject matters into workable solutions that are practical with a greater potential of stakeholder acceptance.

OVERVIEW OF RATEMAKING & REGULATORY EXPERIENCE

- Providing independent expert services on ratemaking policy, rate design, ancillary cost allocation matters as well as matters of natural gas competition before the MPUB on behalf of the **Consumers Association of Canada (Manitoba)** in connection with the **2021 Centra Gas Rate Re-Bundling Application**.
- Provide regulatory consulting services to the **British Columbia Old Age Pensioners' Organization et al** Intervenor Group in connection with numerous natural gas and thermal utility applications including: **FortisBC Energy** (Pattullo Gas Replacement Project, Tilbury LNG Replacement Project, Okanagan Capacity Upgrade Project, Biomethane Energy Recovery Charge Rate Methodology), **Pacific Northern Gas** (Salvus to Galloway Gas Line Upgrade), **Creative Energy Vancouver** (2021 Long-Term Resource Plan, 2021 Revenue Requirement Application, Heating and Cooling Rates Application), **Insurance Corporation of British Columbia 2021 Revenue Requirements Application**, and **Corix Multi-Utility Services** (2020-2023 Revenue Requirement and Rates Application).
- Provided independent expert evidence and testimony to the **Nova Scotia Utility and Review Board** regarding **Nova Scotia Power's 2021 Back-Up Top-Up Rates** related to the cost to serve and pricing of intermittently served municipally owned wind generation.
- Provided independent expert rate advice and evidence regarding marginal and load retention rates to the **Nova Scotia Utility and Review Board** regarding Nova Scotia Power's **2020 and 2021 Annually Adjusted Rate Applications**.
- Provided advisory services to **Efficiency Manitoba** in connection with its **2020/23 Efficiency Plan** filing to the Manitoba Public Utilities Board (MPUB), including regulatory on-boarding, regulatory filing review process design and strategic filing preparation advice.
- Independent expert witness on ratemaking policy, internal and external cost allocation, rate design, and terms and conditions of service matters before the MPUB on behalf of the **Consumers Association of Canada (Manitoba)** in the **Centra Gas 2019/20 General Rate Application proceeding**.
- Independent expert witness on ratemaking policy, cost of service, rate design and regulatory compliance matters before MPUB on behalf of the **Consumers Coalition** in the **Manitoba Hydro 2019/20 Rate Application proceeding**.
- Conducted a review and made recommendations on the implementation of a revised **internal cost allocation methodology** related to the inter-affiliate, multi-jurisdictional allocation of corporate and shared service costs for the **Corix Group of Companies**, a leading provider of energy, water & wastewater utilities for small to medium-sized communities across North America.
- Promoted through progressively senior analytical and managerial positions in the general area of **utility ratemaking and regulation** at the **privately-owned Centra Gas**, and then **Manitoba Hydro**, a combined publicly owned vertically integrated hydro-electric utility and disaggregated natural gas utility.
- Over two decades of hands-on experience in developing practical solutions to complex problems that comport with best practice categorized broadly as:
 1. Regulation Strategy and Process Management
 2. Ratemaking
 3. Leadership and Communication

Regulation Strategy and Process Management

- Provided strategic and tactical advice and solutions to Executive Management for over 15 years on ratemaking and regulatory policy consistent with the strategic goals of the organization and within the context of the governing legislation and regulatory framework.
- Led, developed, and assisted in dozens of rate cases (and other regulatory processes) interfacing with external agencies and the many internal disciplines necessary to support the process. Provided advice and reports to Executive Management regarding appropriate regulatory strategies and developed a common theme and orderly plan with careful execution to achieve strategic, financial and operational deliverables.
- Provided advice to Executive Management regarding the interpretation of regulator decisions and compliance.
- Successfully led numerous traditional, unconventional, interim and ex-parte regulatory processes. This included numerous stakeholder engagement sessions, demonstrating commitment to seeking solutions to best balance multiple conflicting interests, building trust and strengthening relationships.
- With the many challenges and nuances associated with achieving success in the regulatory arena, a champion of evaluating lessons learned for the achievement of successful future outcomes; including key stakeholders in this evaluation is critical to building solid relationships, and to move forward goals more efficiently and effectively.

Ratemaking

- A deep understanding of utility ratemaking including extensive hands-on experience having developed, led, and executed dozens of studies and several cost of service and rate design methodological reviews, through continuous monitoring of the evolving utility industry, a solid understanding of the economics behind investment decisions, the physical workings of the system, a strong understanding of the legislative framework and regulatory construct by which a utility operates, and the academic-based writings of Bonbright and Kahn as well as more practical detailed ratemaking guidance provided by NARUC.
- An experienced and respected witness having represented the Corporation as a subject matter witness before the MPUB for 17 years. Provided testimony on revenue requirements, rate base, cost of service, rate design, treatment of deferral and variance accounts, expansion financial feasibility tests, terms and conditions of service, regulatory approvals and procedural matters.
- Driving force and key witness behind the 2016 electric Cost of Service Methodology Review before the MPUB to review the methodology underpinning the allocation of a \$2 billion revenue requirement, \$500 million of export revenue, and a \$20 billion rate base among over 570,000 customers.
- Developed the 2016 electric Cost of Service Methodology Review case strategy and evidence, hundreds of information requests, led several stakeholder engagement sessions, evaluated Intervenor Expert positions, rebuttal evidence, testimony, and final arguments available on the MPUB's website: www.pubmanitoba.ca.
- Developed evidence to support several key issues such as: an overall methodology that reasonably balanced the corporation's financial goals and the public interest given significant external energy market changes subsequent to 2008 (advent of shale gas, plunge in electric and natural gas prices) coupled with significant investment in new hydraulic infrastructure/aging infrastructure; a cohesive overall methodology associated with a largely interconnected hydro-electric utility; the influence of economics (marginal cost to service) on embedded cost to serve; and the interrelation between revenue requirement, cost of service, and rate design and potential unintended consequences (impacts to low income customers, or protecting the utility's ability to collect its approved revenue requirement).
- Recognized publicly for capabilities having developed an expert level knowledge of electric cost of service over a short timeframe to support a complex regulator review and delivering testimony.
- Led and developed numerous cost allocation and rate design models to analyze the impacts and sensitivities of scenarios.
- Conducted training on rates, cost analysis, methodology, economic feasibility (service extension), revenue requirement.
- Led and prepared the development of lead-lag studies, rate base, revenue requirements on many occasions between 1998 and 2008 for Manitoba's natural gas utility.

Leadership and Communication

- Extensively interacted with a variety of styles and experience levels having led large multi-disciplinary teams with dozens of professionals and routinely presenting to Executive Management, Board of Directors, Retail Customers, Stakeholders and the Regulator.
- Successfully advanced many regulatory applications and related hearing processes, at times concurrently, accomplished through building cross-departmental co-operation, periodically with disparate in-house teams, with a genuine interpersonal style that engenders trust and commitment. For example, over a 12-month period beginning in the fall of 2006, led and developed 4 major applications including a Cost of Gas Application, a 4-Party Trench Application; a General Rate Application; and a generic competition-related application.
- Managed and mentored a team of professional accountants. By creating a collaborative atmosphere, and encouraging measured autonomy proudly developed a well-respected flexible team with strong expertise.
- Developed productive relationships with regulator staff and advisors, key stakeholders and interest groups.
- Routinely presents at regulatory workshops and industry conferences, to strengthen skills and importantly to share knowledge and experience with others.
- Strength in translating complex ratemaking subject matter, into practical, clear solutions based on traditional and contemporary best practice and the related strategy and evidence development of a regulatory case.

PROFESSIONAL EXPERIENCE

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|---|-----------------------|
| Independent Consultant in Public Utility Regulation | 2018 - Present |
| Manitoba Hydro - Manager, Cost of Service & Rates | 2009 - 2017 |
| Manitoba Hydro - Manager, Gas Rates & Regulatory Affairs | 2006 - 2009 |
| Manitoba Hydro - Senior Analyst, Gas Rates | 2002 - 2006 |
| Manitoba Hydro- Analyst, Gas Rates | 1999 - 2002 |
| Centra Gas – Revenue Requirement Analyst, Regulatory Affairs | 1998 - 1999 |
| Centra Gas - Coordinator, Regulatory Affairs | 1995 - 1998 |

A SELECTION OF RELEVANT PROJECT EXPERIENCE:

- Developed an integrated internal cost allocation methodology for a large water utility with numerous Canadian and U.S. based subsidiaries;
- Reviewed zone of reasonableness policy and developed the related strategy and evidence;
- Addressed the treatment of International Financial Reporting Standards (IFRS) within cost of service;
- Treatment of large hydraulic generation cost measurement within embedded cost to serve;
- Treatment of significant export revenue priced the margin (at times 40% or more of total revenue requirement) within embedded cost to serve (effectively a matter of public policy)
- Treatment of demand side management cost within cost to serve;
- Economic development rates/energy intensive rates/low income rates;
- Uneconomic bi-pass (distributed solar PV); economic bi-pass;
- Costing assumptions in feasibility tests to address divergence between embedded and marginal cost to service and related service extension policy (including to support business expansion and growth opportunities);
- Allocation treatment of revenues and costs (and related rate base) associated with unique partnerships with First Nations developed to support new, multi-billion-dollar hydraulic generation;

- Wheeling tariffs—provided the underlying cost analysis and regulatory advice;
- Treatment and determination of variance accounts (cost trackers);
- Led Revenue Decoupling evidence and testimony during 2008 Centra GRA;
- Evaluated the appropriateness and level of Month Basic Charges, developed evidence and led testimony;
- Evaluated the appropriateness and level of Demand Charges, developed evidence and led testimony;
- Fixed rate alternatives (within and outside of regulated utility);
- Successfully developed a solution for and executed the disposal of \$100 million in gas costs (nearly 40% of total asset investment) accumulated during the natural gas market conditions in early 2001, and the accumulation of \$46 million in gas costs during the 2013/2014 record cold winter;
- Rate unbundling to support service unbundling flowing from natural gas market restructuring to facilitate competition;
- Analysis and research assessing a competition-related role of the utility in the provision of gas supply application;
- Successfully developed a treatment for costs incurred to facilitate competition; and
- Developed codes of conduct between regulated and unregulated utility affiliates.